Too Much Specialization

WE are living in an age of specialization. It is apparent in medicine, in science, in law and in many phases of business and commerce. Perhaps it results from the increasing complexity of modern life and the rising store of general knowledge in every field, which appears to defy retention by a single mind. At any rate, we find in every branch of human activity a type of individual who has concentrated his learning and skill in a particular division or sub-division of his profession.

In some fields of endeavor such a principle has much to commend it, but this is not universally the case. For example, the application of specialized thought to the science of investment or to the study of the market has not been an unmixed blessing. It is true that conditions during the major part of the past year easily lent themselves to the evolution and successful application of all sorts of theories as to why rising markets should go higher. When the price trend abandoned the course of money, business, earnings, yields and everything else except popular psychology, every school of specialized thought was able to apply its pet theory and have it work.

But that time has gone and the "gold economist" who bases his prognostications solely on the supply of the precious metal and the credit which it will support does not find it so easy nor so accurate to explain present and future actions of the security market. Particularly is this true if he loses sight of the fact that the speed of present day transportation and communication materially enhances the utility and scope of gold and credit. Similarly the "commodity economist" whose creed is largely price indexes of certain selected or arbitrarily chosen articles and raw materials is in difficulty when he attempts to forecast the price trend of stocks on the basis of his special panacea. Moreover, his conclusion will, ten to one, differ sharply, not only with those of the "gold economist" but with the findings of the market forecaster who bases everything on crops and argicultural economics. While the "industrial economist" who studies only business production statistics, corporate earnings and profit trends will achieve still another result.

Of course, the truth of the matter is that successful security forecasting—that precise reasoning which envisages the major swings of prices—recognizes all of the important fields of economics. Each must be accorded proper weight in its proper place. The successful student of the market or of investment, must give consideration to the position and outlook for money and credit, crops, industrial conditions, employment, foreign trade and many other influences.

No one factor controls the course of security prices any more than any single influence guides the course of business. The broadest background brings the greatest success.

In the Next Issue

Coming Features of Importance

The True Position of Commodities

What is the outlook for the great staples? This penetrating study of the position and price outlook for the raw materials of industry will prove of value to every business man. With the price of commodities exercising tremendous influence on purchasing power and indirectly on the trend of security prices, this discussion is of moment to all investors.

Other Articles in This Series on Great Economic Questions Include:

The Possibilities of a Real Estate Deflation
Over-Mechanization in Industry
The Real Assets Underlying Our Credit Structure
The Changed Status of the Commercial Bank

Investment Opportunities in Low-Priced Utilities

A group of low priced utilities, all dividend payers, with well-defined long range prospects for price appreciation.

SUN LIFE ASSURANCE COMPANY OF CANADA

A TOWER OF STRENGTH

1929

New Assurances Paid for - - - - - -	$654,451,000
An Increase of $213,207,000	
Assurances in force (net) - - - - - -	2,401,237,000
An Increase of $504,322,000	
Total Income (net) - - - - - - - - -	172,857,000
An Increase of $28,110,000	
Surplus earned during the Year - - - -	42,863,000
Payments to Policyholders and Beneficiaries -	69,174,000
Surplus and Contingency Reserve - - -	72,807,000
An Increase of $5,869,000	
Total Liabilities - - - - - - - - -	495,390,000
(Including Paid up Capital)	
Assets, at December 31st, 1929 - - - - -	568,197,000
An Increase of $79,239,000	

NEW HEAD OFFICE BUILDING

Rate of Interest earned on mean invested assets 7.02%

The high rate of dividends allotted to participating policyholders is continued and the special dividend on maturing policies extended and increased.

EXTRACTS FROM DIRECTORS' REPORT

New policies paid for numbered 161,391 for a net amount of $654,451,143.27, an advance of $213,206,752.36, or more than forty-eight per cent. over the previous year. This marked increase and the fact that the average policy, for the first time, exceeded $4,000, afford impressive evidence of the evergrowing popularity of the Company.

After deducting amounts reassured, the total assurances in force amount to $2,401,237,036.94, an increase of $504,321,102.37. This advance is notable not merely for its magnitude, but because when allowance is made for terminations by death and maturity, it represents a remarkably high rate of continuance, and evidences great satisfaction on the part of our policyholders.

The amount paid to policyholders since organization, together with the amount at present held for their security or benefit, exceeds the total amount received from them in premiums by $139,290,474.03.

The rate of interest earned on the mean invested assets has risen to 7.02 per cent. This figure includes a certain amount from bonuses and stock privileges accruing on many of the Company's holdings: but if these were entirely eliminated the rate would still be 6.60 per cent.

A net profit of $13,077,284.62 was realized from the redemption or sale of securities.

The surplus earned during the year, based on the values entered in the accounts, amounted to $42,863,578.59, but from this sum substantial appropriations have as usual been made to further strengthen the position of the Company.

An additional $10,000,000.00 has been deducted from the market values of our securities as a provision against possible market fluctuations, raising the amount thus set aside for this purpose in the accounts to $30,000,000.00.

A further $1,000,000.00 has been written off the Company's buildings.

$931,000.00 has been appropriated to raise the annuity reserves to the Rutherford table of valuation, with interest at 3½ per cent. This exacting standard requires reserves $2,656,000.00 in excess of those of the Dominion Government standard.

$1,200,000.00 has been set aside as additional provision for claims arising from total disability, death claims as yet unreported, and possible claims under cancelled policies on which a surrender value or reinstatement might be applied for.

$22,606,265.67 has been paid or allotted as profits for the year to policyholders.

The special amount entered as a liability to provide for unforeseen contingencies has been maintained at $12,500,000.00.

After making all these deductions and allocations, $5,868,899.96 has been added to the undivided surplus, bringing the total over liabilities, contingency accounts and capital stock, to $60,307,762.44.

In accordance with our usual conservative practice the securities owned by the Company have again been valued at figures much below the market quotations current at the close of the year. This undervaluation represents an important element of strength to the Company additional to the specific provisions in the statements.

Your Directors are pleased to announce that the high scale of profits at present allotted to participating policyholders will be continued during the ensuing year, while the Special Dividend on maturing policies, introduced last year, has been extended to include policies maturing after having been in force five years or longer and the scale of benefit has been increased.

The business of the Company has always been conducted under the exacting provisions of the Canadian Insurance law and the rigid supervision of the Insurance Department of the Government of Canada. Ever since we entered the United States in 1895, the Company has been under similar supervision there and is now subject to the regulations of thirty-eight States of the Union which require periodical examination of the affairs of all companies licensed in their territory. In the discharge of their regular duties a committee of twenty-two examiners, representing the States of Michigan, Massachusetts, Minnesota, Ohio, Tennessee, Washington, Virginia, West Virginia, Florida and the District of Columbia recently completed an exhaustive examination into every department of the Company's affairs. The report of this committee makes gratifying reference to the liberal treatment accorded to our policyholders, and provides authoritative testimony to the Company's strength. Even adopting the low valuations placed by us on our securities, the committee still reported a surplus at the close of last year $1,333,921.71 in excess of the figure claimed by the Company.

SUN LIFE ASSURANCE COMPANY OF CANADA

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

Investment and Business Trend

Healing Pains of Better Business—Too Much Appropriation—Status of the Rails—Distributing Corporate Surpluses?—The Market Prospect

HEALING PAINS OF BUSINESS

IT was a subject of comforting congratulation when the stock market boom collapsed that there had been no speculation in commodities. That was true, and there was little expectation, therefore, that a recession in stocks would be followed by a commodity plunge downward. But now we are faced by drastic commodity slumps, particularly in agricultural products and raw materials. To the melancholy of speculative losses, decline of business activity and a large degree of unemployment and reduced payrolls, has been added the sobering factor of falling commodity prices.

It was generally foreseen that the first quarter of the year would be bad. Now that we are in the midst of it, the badness is more oppressive in the reality than it was in imagination. Foresight has proved no anesthetic for the pinch of actualities. We were too much cheered up by the valiant efforts to keep bad from being worse, and now too depreciative of their effects.

The latest figures indicate that the reported gains of employment in January, as compared with the end of December, still leave the numbers of the unemployed and the earnings of the employed below those of December and, as a whole, much lower than they were a year ago. But an employment index of 90.2, based on 1926 figures, is not dismaying when chronic technological unemployment is taken into consideration. The construction industry is not reviving as promptly as expected, the upswing in the steel industry in January and the first part of February has been checked, and it is apparent that the smart seasonal revival in the automobile industry has no promise of a normal year for it. Bank checking debits continue to lag. Carloadings show a slight upturn as this is written—but the total is far below the corresponding week of 1929 though better than in 1928.

Altogether, it is apparent that the country is in a situation of business lassitude that will take more time to dissipate than was optimistically supposed when it firmly resolved not to be much hurt by stock market convulsions. Undue pessimism has ousted too much "right psychology."

It is now perceived that while the stock market crash, standing by itself, need not have profoundly unsettled business, the building up of the dizzy climax that compelled the descent had already worked in wide circles throughout the world the mischief from which we are now suffering. The speculative market absorbed and diverted capital from other countries that was sorely needed there and inhibited the flow of capital from America to them—checking business growth, depreciating commodities and curbing buying capacity. The stock market collapse was the beginning of the

end of this maladjustment but readjustment will take time, and the chances are that the export trade must be worse before it can be better even though the cure is progressing. Added to the direct and sympathetic influence of falling commodity prices abroad on domestic prices is the contraction of business at home and the presence of surpluses in some lines. The decline of the prices of domestic agricultural products does not much affect present purchasing power, as they had been previously liquidated in the main, but it thickens the pessimistic urge.

Falling prices and thin profits are rarely considered occasions of rejoicing but, after all, they go well with curtailed income and are the one sure means of reviving vigorous buying and absorbing overproduction.

The healing wound hurts more than the stab. The tissues of new prosperity are forming, and we experience pain; but the injury was done and fatal consequences escaped long ago. Actually, this is the moment of opportunity and the birth of new prosperity. It is useless to shut our eyes to the facts of commercial contraction but folly to ignore the approach of the inevitable expansion despite our inability to foretell the day and hour of its arrival.

TOO MUCH APPROPRIATION

NOTHING is more contagious than spending other people's money — especially with a laudable intent. There has been a dearth of free spending by Congress since the federal budget system was inaugurated. In fact, Congress, in order to exercise its authority and demonstrate that it still has something to do with the national purse, has been prone to pare further budget items already pared to transparency. When the President proposed liberal spending on necessary public works as a remedy for business depression he unwittingly opened the head of the pork barrel. If a little spending would be good, more would be better, divers and sundry congressmen argued, and there was a rush to buy prosperity with a liberal hand. Besides, when the appropriation tide is running high is the right time to get yours. So, now, the President is horrified by a super-budget stimulant to coy prosperity to the amount of $1,735,000,000. Spending out of current revenue is radically different from spending out of new taxation. Spending that fabulous sum might excite business to rush to the trough but its legs would be paralyzed by the resultant 40 per cent increase in federal taxation. Governmental expenditures are largely unproductive and wasteful. Business struggling back to normalcy must cut out all useless expense. Such, from a purely economic point of view, is most public spending. What the government collects business loses. Business and private income need every cent of the $160,000,000 cut in taxes already voted, much less can it endure appropriations that mean new taxes to many times that amount. Of course, there never was a chance that any large portion of the pile of non-budgetary appropriations bills would ever get to first base, but the time to put up the stop signal is before the danger point is reached. By way of contrast, this curious Congress has failed to pass any of the regular supply bills, with the possible result that while dreaming of a golden flood of jobs for the unemployed some thousands employed by the government will be added to the rolls of the unemployed. As a business manager Congress ought to be out of a job itself.

STATUS OF THE RAILS

THE market for railroad stocks is still under the influence of recent and pending developments, both of which involve much uncertainty. It is significant that, with all the uncertainty, this group has not reflected keen apprehension on the part of either investors or speculators. Northern Pacific and Great Northern officials do not know whether to go ahead with the unification plan proposed by the Interstate Commerce Commission. Their decision, perhaps next week, will have an important bearing, both of the merger situation in the Northwest and also upon consolidation generally. The Baltimore & Ohio is making good progress with its efforts toward a larger system in Eastern territory, in spite of opposition from L. F. Loree and other rivals. There may be almost sensational developments in this situation in the near future that will change materially the complexion of the merger outlook in the east, and also affect the stock directly involved. Combined net railway operating revenues for January showed a decrease of more than 27% from 1929. Probably February was not so bad, but still below last year. Well informed investors realize that the railroads are in such good shape physically and financially that they can stand poor earnings for some little time without suffering specially. That is why there has not been heavy selling of the shares.

DISTRIBUTING CORPORATE SURPLUSES?

WHEN a corporation pays only a nominal portion of its earnings to shareholders in the form of cash dividends, the justification of its lack of generosity must be looked for in the use to which a corporation is able to put its surplus. During the past year or so, large cash funds have been accumulated and temporarily placed in call loans. Earning from 8 to 10 per cent in such employment, these sums were instrumental in adding some nice extra items to the regular corporate income. At the moment these same funds are producing an income of from 4 to 4½ per cent. Commercial needs for funds are not very large. Under such circumstances has not the justification decreased considerably for withholding large amounts of earned surplus, readily available for distribution in the form of bank deposits or call loans? There has been no striking tendency to distribute such funds so far, perhaps because of the potential need for cash in future replacement or expansion expenditures. With money rates already stabilized at comparatively low levels, however, some sizable distributions may be in the offing, when business is restored to a constant level of activity.

THE MARKET PROSPECT

A COMPREHENSIVE discussion of the market's present position and future trend appears on pages 747 and 748.

Monday, March 3rd, 1930.

Market Seeks Public Following Through Bullish Antics

Prices Follow Hand-Made Trend That Calls for Caution

By A. T. Miller

THE stock market gave us a few brand-new clues during the final weeks of February that should have an important bearing on the course of prices during the near future.

As far as the shorter swings of the price movement are concerned, the market had reached a critical phase following its rise through January and most of February. It is usually in these critical periods that the market loses its fine subtlety and discloses some of its carefully guarded secrets. This is exactly what the market did, when hard pressed, a few weeks ago.

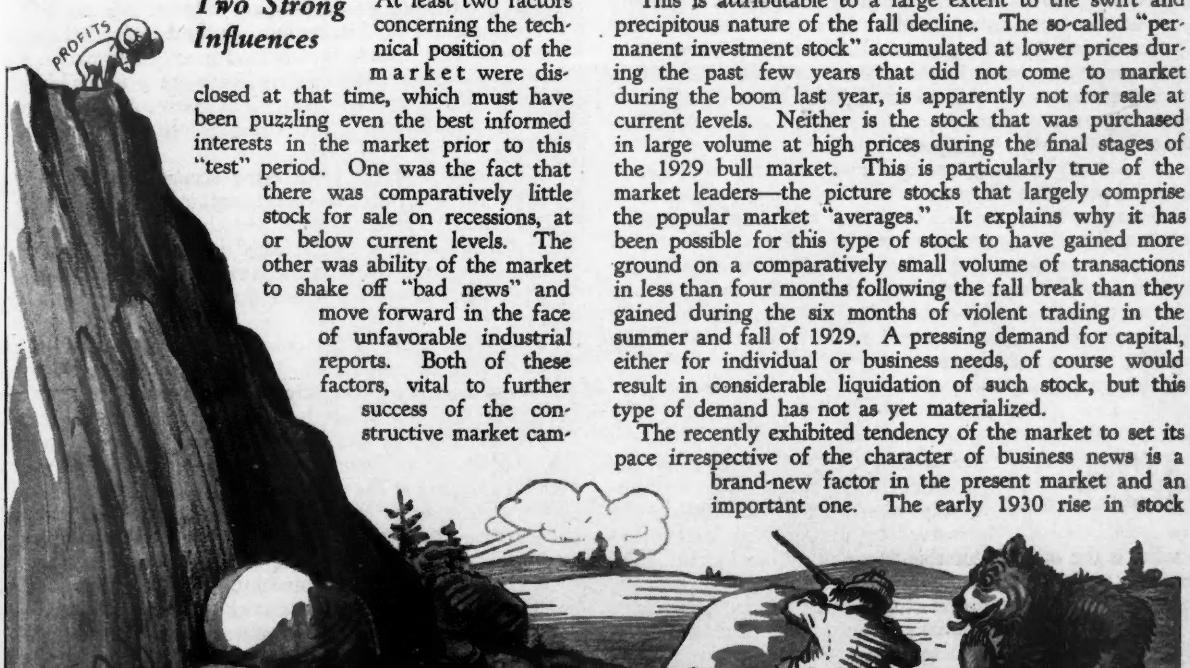
Two Strong Influences

At least two factors concerning the technical position of the market were disclosed at that time, which must have been puzzling even the best informed interests in the market prior to this "test" period. One was the fact that there was comparatively little stock for sale on recessions, at or below current levels. The other was ability of the market to shake off "bad news" and move forward in the face of unfavorable industrial reports. Both of these factors, vital to further success of the constructive market campaign which has been under way since the start of the year, had been included among the market uncertainties of the seven week advance that opened the current year.

After witnessing a flood of security offerings that created a virtual market panic only a few months ago, it is difficult to gain a thorough conviction that stocks should have an inherent "scarcity value" at the present time. Yet, if the performance of the market itself is to be taken at its face value, it must be conceded that such a definite scarcity value exists, at least for the shares that have assumed the role of leadership in the recovery. It is true that the demand for stocks is smaller than it was last year—much smaller—but it is also true that the supply of stock available for current trading purposes is proportionately reduced.

This is attributable to a large extent to the swift and precipitous nature of the fall decline. The so-called "permanent investment stock" accumulated at lower prices during the past few years that did not come to market during the boom last year, is apparently not for sale at current levels. Neither is the stock that was purchased in large volume at high prices during the final stages of the 1929 bull market. This is particularly true of the market leaders—the picture stocks that largely comprise the popular market "averages." It explains why it has been possible for this type of stock to have gained more ground on a comparatively small volume of transactions in less than four months following the fall break than they gained during the six months of violent trading in the summer and fall of 1929. A pressing demand for capital, either for individual or business needs, of course would result in considerable liquidation of such stock, but this type of demand has not as yet materialized.

The recently exhibited tendency of the market to set its pace irrespective of the character of business news is a brand-new factor in the present market and an important one. The early 1930 rise in stock



prices was stimulated by indications of a quick recovery in business activity. Stocks have been particularly responsive to favorable trade reports, such as the expansion of operations in the steel industry after the turn of the year; the promise of sustained building operations through public and industrial construction projects, and larger automobile production schedules for January. The market rise reflected these and other encouraging bits of trade news in the early weeks of the year.

Many market observers likewise expected that the market would be equally, if not more, sensitive to such trade news that would suggest an unfavorable first quarter to corporate earnings. And at the close of the second month it had a good deal of such news to face. Figures of bank clearings told a story of considerable dullness in many sections of the country. Unemployment reports, although telling nothing really new, were given widespread publicity through sensational demonstrations in various cities. Steel and automobile news, although continued favorable, began to be tinged with a new note of caution. More obvious to the general public than these items, was the price slumps in various commodities. Wheat and other farm commodities, of course, became a political issue, the subject of national discussion generally and a very disturbing stock market factor, at their record low prices.

Individual Issues

It is safe to say that in these circumstances, the buying that supported the market did not come from small investors or the general public. And it is quite significant to the immediate market outlook that inside support was not withdrawn at a time when general market unsettlement seemed imminent. Instead, the bearish reports were used to engineer a striking market movement that resulted in a good deal of short covering and carried prices to a higher trading range. Thus the market may be said to have entered a stage at which the performance of the various stock issues themselves become more important than the underlying industrial conditions which the market is supposed to reflect.

The late February sessions had indicated a technical condition within the market that made further price advances possible in the face of widespread bearish sentiment. What is perhaps even more to the point, is the fact that certain interests seemed inclined to take advantage of this situation. We are confronted with a market situation that, on a decidedly smaller scale and with an equally uncertain outcome, seems to be patterned on the same general scheme as the famous 1929 boom.

A Hand-Made Trend

Granting that the market is moving under the impulse of strong sponsorship, what purpose is intended to be served by a supported market and what is the outlook for this apparently "hand-made" price trend. A distant view into the future might logically comprehend a restoration of corporate earning power and the resumption of national prosperity on a broad scale. If the large buyers of stocks at this time are looking ahead to some such condition, however, they are looking at something which is further in the future than is possible for the average stock buyer to appraise. In any event it is a longer range viewpoint than we are concerned with in this article. We are more interested here in isolating, if we can, the real purpose behind the current movement of stock prices.

There are two possible explanations for this underlying purpose. One is the effect on the business situation of a strongly supported, and perhaps rising, market. Although not so much in the public prints as it was earlier in the year, the campaign undertaken by business leaders to "restore prosperity" is still an existing factor, exerting a potent influence. But one of the chief obstacles that confronts this prosperity campaign is the market crash. The "bear market" is still being made to stand for all of the sins of the business world.

To eliminate the bear market element in the business situation would have a tremendously favorable psychological effect on business. Purchasing power, or at least "spending power" is greatly accelerated by rising stock prices as was impressively demonstrated during 1928 and 1929. There is much frozen credit, both individual and bank credit, still hanging over from the fall decline in the stock market. By and large, the tonic effect of a strong stock market at this time must be conceded. It would naturally be sought by important interests in industry and trade. One is bound to be impressed by the logic of this view.

A Distributive Phase

The other view, equally sound, is that the strong market backing indicates a distributive phase of the current stock market movement. In other words, if stocks are to be distributed on this rally, *the market had to be supported* during the critical period that developed around the latter part of February. Indications of stock distribution have already been pointed out by this publication, but perhaps the matter might be elaborated on here to advantage. For distributive markets, while they provide interesting and profitable price moves in individual issues, also harbor an inherent element of danger that demands greater caution on the part of stock buyers.

For evidences of distribution one must look to the market itself—few outside factors lend much confirmation one way or another. Even brokers' loans are a negligible element compared with last year. The market itself has given a rather broad hint of a distributive phase within recent weeks.

Certainly, if stocks were being accumulated by strong interest for long term retention, nothing as violent as the late February recovery would have been witnessed. Long pull accumulation is accomplished in dull sagging markets such as we experienced at the turn of the year, not in the competitive bidding for shares that has recently been witnessed.

And then, there is the uncompleted distribution in the fall boom to be considered. It is true that the well-known banking consortium recently announced that it had successfully disposed of its holdings acquired in the break, but other interests have been pursuing different policies. Although many diverse interpretations have been presented concerning the cause of the 1929 break, practically all observers agree that the pools and so-called "insiders" suffered as well as the general public. Many of these groups committed to the long side of the market last fall have held their position, notwithstanding the severe decline in the values of their favorite stocks. In order to complete their distribution, a demand for stocks must be created.

Under normal circumstances, nothing creates an appetite for stocks as surely as a rising market. Not only does a rising market release credit for additional commitments, but it also diminishes the importance of cash income in dividends. With a technical market condition that makes it possible to bid up prices without greatly increasing the offerings of stock, there is much logic to the view that the market is in a distributive phase.

(*Please turn to page* 818)

Investment Trusts After the Storm

Has the Experience of Recent Months Purged the Trusts of Their Weaknesses? A Frank Appraisal of Investment Companies in the Light of Newly Published Records

By THEODORE M. KNAPPEN

"AFTER the deluge, what of the investment trusts?" was the broad question put to one of America's recognized authorities on investment trusts.

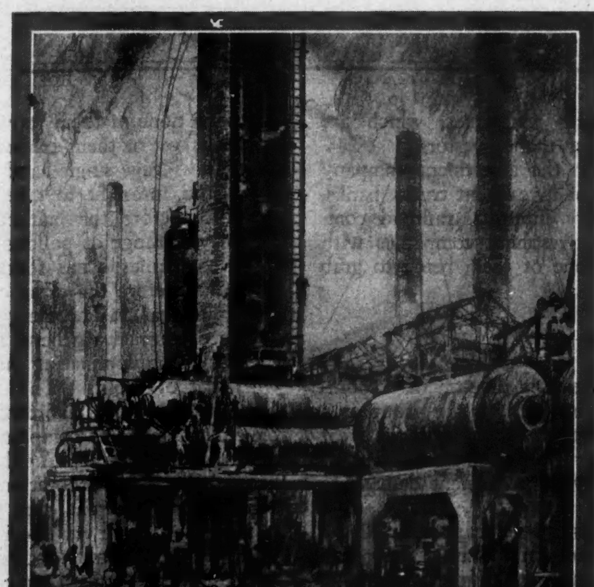
"No way to tell, there weren't enough of them to justify a general conclusion from their encounter with the tempest," was the answer.

"Not enough! Aren't there about 450—or something like that ?" I asked.

"I doubt if there are more than two or three true investment trusts in the whole lot you mention. Investment companies galore, but investment trusts are scarce."

Followed then this quotation of a classic definition of a true investment trust:

"An organization, corporation or trust in form, which invests the funds of individuals with the purpose of securing safety of principal and income, and a profit above a normal return, this safety and income being obtained by investing and reinvesting the combined funds of its members or shareholders in diversified securities in one or more countries. The underlying principle of an investment trust is just what the name implies—investment. Securities are purchased principally for income, but when a security is selling beyond its intrinsic worth then the investment trust sells at a profit and reinvests its funds in securities which are selling out of line and below their intrinsic value."



Courtesy, M. W. Kellogg Co.

A simon-pure investment trust never speculates. . . . More than a hundred so-called investment trusts were launched in the United States during the hysterically speculative year of 1929. They took some $1,700,000,000 of money and proceeded to buy securities in a wild, raving bull market, which was precisely the time that a true investment trust would be concerned only with selling. A true investment trust according to the original British model—never, never speculates. It does anticipate and buy for appreciation of value, but that is a mere incident of the primary purpose of getting for its members better than normal income from their security investments. Moreover, all profits realized from appreciation are credited to reserves, not to dividends. The true investment trust of the extreme British management type buys only at its own price and sells without regard to the market trend when a security reaches a predetermined price. Both buying and selling prices are determined after a most careful and comprehensive study. The judgment of the management regarding a certain stock in the portfolio may be that it will continue to ascend in market price indefinitely but, nevertheless, the sale is resolutely made at the predetermined price. The realized funds then go into another security obtainable at a price that is believed to be below its intrinsic worth. Strictly speaking, there is not a single American company that adheres absolutely to the British model.

The investment trust designation as commonly used in the United States includes:

1. General management trusts—the British type of a true trust. 2. Limited management trusts. 3.

Fixed trusts. 4. Holding company. 5. Trading companies.

The second group is ruled out as a true investment trust, because there is not enough "trust." The third may be excluded from this consideration on the grounds that it is essentially without any real management function. Its portfolio is compiled for income and safety and its initial judgments are revocable only when these features fail in their purpose. It is, however, conservative to the *n*th degree. The fourth group, holding companies, have other objects and interests than those pertaining to uncontaminated investment—some of which may preclude the use of the word trust from the standpoint of the public. The fifth group is long on trust but short on investment. The five groups may be further subdivided to conform to American practice. Certain investment corporations are so specialized that they are not only without international and internal geographical diversification but they are confined to one type of securities—even to those of a single corporation's interests.

It would fit the American investment scene better to speak of the five groups collectively as investment corporations with the reservation that "investment" may include speculative operations. This modification of the definition applies particularly to the trading companies, which are merchandisers of securities rather than investors.

While the going was good in the investment company field, under the general banner of investment trusts, banks, investment banking firms, utility interests, railroad companies and what not, formed investment companies with mixed motives and objectives—one of them being to grab the easy money of the time.

Market Record of 22 Investment Companies

	1929 High	1929 Low	1929 Dec. 31	1930 Feb. 17
Alleghany Corporation	56⅛	13	24¼	33⅜
American Founders Corp.	122⅝	66	*29	*26⅝
American British & Cont.	22⅝	4⅞	4⅞	5⅛
Amer. & Gen. Securities Allot. Ctf.	74	57	73	70
American International Corp.	96¾	29½	38¼	42¼
Blue Ridge Corporation	29⅝	3	7⅛	10⅝
Goldman Sachs Trading	121¼	32	38⅝	33⅛
Internat. Securit. Corp. of Amer. A	65	47	57	60
Investors Equity	72½	12½	21	28
Lehman Corporation	136	63	75	85
Mayflower Associates	101⅝	46⅛	51	60
Pennroad	30	13⅛	13⅝	15⅜
Second International Securities Corp.	54	37	45	40
Selected Industries	31⅝	4	7⅛	9⅝
Shenandoah Corporation	39⅝	6⅝	9⅛	12⅝
Sterling Securities	38	8¼	10⅛	15½
Stone & Webster, Inc.	201½	64	81	96⅝
Tri-Continental	57	10	13	16
United Founders Corp.	75½	25¼	33	43½
U. S. Foreign Securities	72	18⅛	21¾	26⅞
United States & Int. Sec. Allot.	102	59	64	68¼
Utility Equities	44	10	11	16⅞

* After 3-for-1 split.

Riding the Storm

Using then, the term investment corporations, let us consider how the group as a whole rode through the storm of the great panic, first as to financial-storm nautical skill and second as to temporary or permanent damage to the ship.

A survey of the current discussions of seamanship of the investment companies as compared with that of independent investors and speculators, talks with financiers and a study of reports and statements of the companies leads the writer to the conclusion that on the whole the companies did better than individual operators.

This applies particularly to the companies that were formed before 1929. Broadly speaking, the 1929 companies were the children of the market bubble. They were for the most part born too late or too soon. Except for the undisguised trading companies they were as much out of place as a Quaker in a vendetta. Almost without exception the 1929 companies cite the alibi of unpropitious nativity as an excuse for their failures to meet the expectations of their members and the general show-windowing of the investment corporations. But the citation of the unhappy birth time fact is really an indictment of management.

The whole year of 1929 was a proper period for investment company birth control. An investment company that even remotely aspired to the appellation "trust" ought to have chosen a better time for birth, or else should have planned a course sagely adapted to the environment. Some of them did. Now and then, in running through the available records, one finds an infant of the 1929 class that used all or most of its funds in the call money market until the crash jammed quotations down to earth from astronomical realms. Some of the 1929 infants got in and out with amazing celerity before the hurricane tore through the financial markets.

Considering the investment trust frenzy in which they made their debut and the wide acceptance of the "new era" buncombe, a surprisingly large number of investment companies found themselves with goodly cash reserves when the bargain table was spread with the debris after the October-November disaster. Virtually none of them proved omniscient, but it is fair to say that most of them exhibited far more restraint of greed than the average single-handed speculator. Others had the nerve and foresight to take their losses on some of their securities before the market reached its abysmal depths. In the vast range of policies that actuated so many investment companies some found themselves precluded from unloading before the crash came even if they visualized it as certainly as an oncoming express train.

The conservative general management companies had to consult their dominating income principle as contrasted with that of profits. The fixed trust companies were inherently helpless to take profits or avoid paper losses. The limited management companies had the defect or the virtue of being limited. The holding companies had to consider broad policies of corporation control and market propping as superior to current gains or losses.

Then, too, there was the intricate problem of how far an impregnable investment company would be justified in contributing to the general wrack and ruin that was to come by precipitate jettisoning of securities in order to convert paper profits into realizations. The trading companies apparently have a better retrospect than that of the individual trader, but many of them confess to considerable actual cash losses for the year; they sold securities at a loss rather than take the chance on future recovery. One trading company cleaned up a score of millions of cash in the market but saw its paper assets melt to such a degree that it virtually confessed a failure of management.

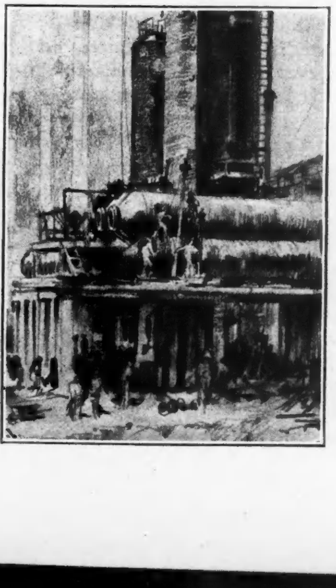
Some investment companies are reorganizing, some are consolidating with others. There are a few liquidations. There have been virtually no forced dissolutions.

Shareholder Profits

It is impossible to make generalizations about the returns to shareholders in investment companies as compared with direct investment results. But it is probably fair to say that the returns will be disappointing for 1929 on the whole. Many companies show net earnings; some of them very large, even in the face of enormous declines in the market value of their holdings; but the general situation is not favorable to generous dividends, if any. The results of the past year as a whole will be distinctly disappointing to investors in investment companies, and will tend to chill the enthusiasm for collective investing. New issues of securities in this line will not be popular or large during 1930—although this period of recession is the ideal time for collective investment, as well as for individual. The trust companies must pay the price of a certain degree of paralysis in the face of opportunity for their mistakes of co-partnership with a bull market.

The severest damage to the trusts as a whole that was inflicted by the crash was the depreciation of their own securities, which was greater than that of the general market list. All securities declined an average of 48 per cent from the 1929 high, whereas the investment company stocks fell off from 50 to 75 per cent—averaging, perhaps, about 70. In not a few instances the stocks fell to a point well below the liquidating value of the company. Fully 70 per cent of all the financing during the last ten months of 1929 was for investment trusts, and their stocks were, therefore, conspicuous targets for panic selling. On the basis of 70 per cent shrinkage the $3,000,000,000 or more invested in the shares of investment corporations was at the low point worth only about $900,000,000. The public in the days of reckoning was evidently over-suspicious of the whole investment company field. It had been too mushroomy. In individual cases this distrust was utterly unwarranted. It was carried to the extent of discounting the value of good American dollars, for even with companies that have a large proportion of their resources in cash the market value of their stocks is or was as much as 30 per cent below the market value of their investments

The harsh experience of recent months has impressed many companies with the idea that publicity is the best policy. Some of the reports now being made must be highly embarrassing, for they sustain the suspicion that some so-called investment trusts were merely neglected step-children of parent organizations. One company reports that 28 per cent of its assets are in cash, which is probably deposited with the mother company, at a time when the bargains of a century awaited it. Company after company confesses that its holdings, at market quotations, are worth less than when bought and that they couldn't be sold out today for their original capitalization. Yet just such companies show handsome net earnings in 1929 in some cases. A fine example of the company that is entitled to neither "trust" nor "investment" in its classification is one that has all its resources invested, that bought a third of its securities durin the latter half of 1929, and now faces the situation of earning only 3½ per cent on its portfolio, with outstanding debentures and preferred stock at much higher rates. On the other hand is the case of a company that had 90 per cent of its resources in cash when the crash came. Yet some of the best fortified companies—sad to relate—experienced the greatest declines in their stocks from high to low—because their strong position made them exceptionally popular while the buying rage was on.



Of course, it goes without saying that under such conditions thousands of investors in investment companies at original issue prices find that their securities have a market value much below the price of issue. As might be expected, the investment companies that approximate the true investment trust type have fared better in the market than plain trading companies. A comparison of one group of the former with a group of the latter shows that the trust type's securities fell only half as much as the other, from 1929 high to low, and that by December 31st all but 12 per cent of the decline had been recovered, whereas the trading company group was still 55 per cent below high.

Behind the Market

As a whole, the investment group has not recovered as rapidly as the general market list. For the time being the public is evidently skeptical about the value of trust management, for it is admitted that the management feature ought to give trust shares the edge over the securities they represent, whereas they are actually at a considerable discount. This situation appears to give the shares of the better investment trusts a distinct investment advantage over the market list at the present moment. Reports from some of these companies show that they are sharing liberally in the favor of the public looking for investment bargains. The bargain hunters now have far more than they ever had before—a fair opportunity to inspect the goods before buying.

The reports and statements that are coming from sources that were formerly as silent as the grave give the cautious investor an opportunity to buy instead of being sold. Despite the standard arguments—specious or sound—against disclosing the contents of portfolios they are now blossoming forth in profusion. The arguments may have the weight that was formerly attached to them but the trust managers are frequently convinced that "open covenants openly arrived at" have offsetting advantages in this period of skepticism and pessimism.

One interesting phase of the low price of investment company stocks is that the companies are or were not infrequently buying and retiring their own shares. Manifestly this process should have a favorable effect on the outstanding shares, but is subject to the criticism that it tends to weaken the position of the company for bond or debenture financing in the future. In a period of common stocks popularity American investment companies have paid comparatively little attention to the issuance of bonds. According to a summary by *Keane's Investment Trust Monthly* companies classed as investment trusts issued $1,635,000,000 of stocks in 1929 and only $67,000,000 of bonds. In 1928 the bond issues were but $84,000,000, and stock issues $463,000,000. While retirement of stock purchased at less than company liquidating levels is plum pudding for the immediate gratification of shareholders the reduced capitalization narrows the base for future debenture

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Low Interest, Low Taxes—High Business

By Edward J. Cornish

As Interviewed by Milton Head

"Prosperity is not a thing which we can conjure from the 'vasty deep.' We cannot create it simply by wishing for it. We can contribute to its return by hopefulness, energy, and by a building up of what has been torn down by a false process which first caused inflation, inexorably to be followed by a sudden deflation which upset the superstructure of business but in no way affected its real foundation. Hereafter we must distinguish between really good business conditions and inflation. One is built on bed rock—the other has a base more shifting than quicksand. While the swing upward from business decline to general industrial activity as yet has not been very marked we still have a month or two for the anticipated improvement to manifest itself."

EDWARD J. CORNISH, president of the National Lead Company, thus gives his opinion on current and future business. He feels that the present is a time of some groping toward the light which may not be found as soon as many had hoped and preached. Mr. Cornish is not one to indulge that sort of optimism that is based only on desire. He dreams no roseate dreams of sudden good fortune and cannot picture American business equipped with Fortunatus' purse, out of which an inexhaustible supply of money will flow.

Two years ago I was fortunate enough to be able to obtain the opinions of a number of prominent business men, on the future of American industry. Of all the men I interviewed, whose views were published in THE MAGAZINE OF WALL STREET, Mr. Cornish, alone, refused to assent to the notion that a long, uninterrupted period of prosperity was ahead. He saw shoals for the business ship which others could not discern, and he particularly stressed the evil of a condition which brought about high interest rates, high taxes and a low return on securities. Such a status, he insisted, was not consistent with economic law.

Cornish is something of an iconoclast. But it is the newer idols which he usually demolishes, because he is grounded in economic theories which he believes are basic and never can be destroyed. His is one of the keenest intellects in big business in America. He has a faculty for analyzing conditions that has enabled him to be correct in his views even though at the time of expressing them they were contrary to the opinions, not only of observers in general, but even to the belief of officials in his own organization. With him transitory conditions never can eliminate basic laws. Consequently when many, in recent years, were discussing the "new conditions," the chief feature of which was a disregard of yield, in the consideration of the value of securities, Mr. Cornish steadfastly refused to consider such belief as anything more than the rankest economic heresy. Low yields, and high interest rates were not practically compatible, he declared, and could not continue. No one needs to be told now, how unerring was this judgment. Interest has come down, and security yields have been increased through a decline in the market price of all securities.

Useful Production

"There is no real prosperity which does not have its basis in production," said Mr. Cornish. "Unless we produce that which is useful we cannot profit. This is so elemental that I cannot claim it as a new idea, but it's one which often is overlooked.

"Now the source of all production is labor. Labor is the greatest gift of God to man, even if at times we do groan under it. I differ entirely with the usual conception of scripture, which makes the Edenic decree. 'In the sweat of thy brow shalt thou eat bread,' a curse instead of a blessing.

"After all, the extent of a man's needs is the determining factor in progress. If man had no requirements there would be no progress. His wants force him to activity and as he fills those wants he advances farther in his desires, finding newer and greater needs, which again he seeks to satisfy. It is not too much to say that man's frailties—even his vices—acting as an incentive to labor, are influences for prosperity."

This last statement involves a startlingly original doctrine. How it is likely to fit into the general scheme of religion and morality I do not know, but it surely affords a basis for the tenet that there is good in everything—not excepting those things which, to us, seem inherently bad.

"False conceptions of prosperity deceive only for a time," Mr. Cornish declared. "There are periods in which one industry runs far ahead in sales, leading many people to build a long distance into the future—to discount that future to an extent not justified even by the current activity. Where the discounting begins there also is the point of the inception of troubles whose actual crystallization

may be a long time ahead. The mushroom grows fast, but it dies just as rapidly. Stabilization of an individual industry is the only assurance of success for any company in that industry."

Mr. Cornish does not have to qualify as an expert witness on stabilization of business. His own company is an example.

Interest and Taxes

Interest and taxes, in the opinion of Mr. Cornish, are the two great burdens on industry. High interest rates and taxes extending over any appreciable period must inevitably drag down prosperity.

"I think you'll find that doctrine exploited by Henry George, and it's entirely sound," Mr. Cornish commented. "When interest rates are high, they are a charge upon business and check consumption. But there is this difference between interest and taxes. The former fluctuates, while the general trend of taxation has been continuously upward. Taxes are a fixed burden, while interest, at times, may become a comparatively small factor in any individual business.

"Sooner or later officials and publicists must direct their attention to the problem of reducing or of holding down the rising tide of taxes. It is not a merely academic question. It cannot be dismissed with the thought: 'When I find a more convenient season, I'll call on thee.' It will remain one of the tender spots in business until the remedy has been found and applied. There was a time when the railroads were almost taxed out of existence, and now that they are enjoying a term of comparative prosperity, these taxes are no less a burden, out of proportion to the other expenses of the transportation lines."

Installment Selling

"Another thing which we must consider as having its effect on general business is installment buying. I am not at all certain that some of our present disturbed condition is not due to this method of distributing goods. And when I say that, I am not unmindful of the fact that many of our present-day economists, bankers and able business men have unqualifiedly indorsed the system.

"I do not utterly condemn the installment method. I do say, without reservation, that it is better to earn the money for a thing you want or need before you buy it, than to purchase it first, through the medium of a small down payment and then spend months or years trying to liquidate the balance due. But getting the money prior to purchase is not always possible—hence installment buying frequently becomes a help. However, the buying of unproductive lines or articles, by the deferred payment plan, or the purchase of things, the life of which will not extend beyond the date of final payment, is a lure to improvidence and extravagance. Mortgaging the future should be indulged in only when the mortgagor is certain to have something of value after the mortgage has been paid. The promiscuous selling of almost every conceivable thing, through the installment method, cannot be too severely condemned. I myself have encouraged the sale of our stock to the employes of the National Lead Company through deferred payments, because I think it is well for workers to have an interest in the business in which they are engaged; it develops thrift. When the debt is paid their savings become a permanent and profitable investment. Automobiles? Well, perhaps because they have come to be recognized as an economic necessity it is all right to sell them in this manner. I doubt very much if the intensive and extensive campaigns for the sale of automobiles, radios and countless other semi-necessary luxuries, by the installment method, has done more than create an unnecessary buying, giving the effect of mushroom growth to manufacturers, the ultimate result of which already has been shown or is forecast in the sudden unexpected cessation of sales. This brought to my mind also the current price of the securities of many of the companies and the severe financial plight of not a few of them.

"Just as I previously have said that there may be good in what seems to us entirely bad," Mr. Cornish continued, "so the installment method cannot be denounced as all evil. Some say it induces thrift because when once a man contracts for payments he has an incentive to work to meet them when they are due. Also it is urged that the plan keeps more money in circulation and gives employment to more labor. Inducements to thrift that are created by over-buying are, at best, of doubtful value—later on they may become burdens too heavy to bear.

"I have no means of knowing how many partial payments have lapsed since the stock market break, nor how many repossessions of goods bought on the installment plan have been made. The number of the latter probably is not very heavy since the bulk of articles bought have little return value after having been used for a short time, and the sellers could do nothing with them if they took them back, except to sell them as second hand, and thus possibly kill the sale of a new set. The result is that there is a lot of harassed debtors, worried enough by the problem of providing for necessaries, without seeking means to pay for luxuries or semi-luxuries bought in days of temporary financial affluence or ease. This is one tragedy of installment buying."

Sounder Foundation

Mr. Cornish looked from the window of his office. Below him lay Trinity Church, facing the famous street that has given its name to American finance—a street described as starting at a river and ending in a graveyard. Within a stone's throw was the New York Stock Exchange, where even then traders were casually putting through transactions involving millions of dollars.

The king was dead. Inflation, Rex, no longer ruled. Sober second thought was now paying tribute to Reason.

"You can't stop speculation in stocks," said Mr. Cornish; "hence you can't stop the ebb and flow of security prices. Cycles will recur, though to expect them with anything like regularity is a fallacious belief. Perhaps never before have

(Please turn to page 792)

Can Uncle Sam Save Farm Prices?

Government's Half Billion Dollar Experiment in Agricultural Merchandising Holds Farmers' Economic Position in the Balance

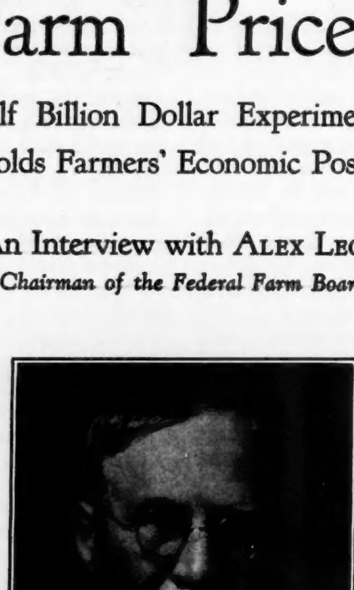
An Interview with ALEX LEGGE

Chairman of the Federal Farm Board

GOVERNMENT is curious. In Washington there are at least two agencies of the government that are enforcing laws to keep business men from pursuing intelligent policies of disposing of their products. These are the Department of Justice and the Federal Trade Commission. Business groups are in danger of being escorted to jail by these agencies if they get together to mark their products up or mark them down—sell dearly or cheaply.

Two other federal agencies are striving to teach a governmentally-favored group of business men—the farmers—how to "conspire" to sell at high prices and market their goods intelligently and profitably. These are the Department of Agriculture and the Federal Farm Board.

Both groups are acting in accordance with perfectly good laws duly made and provided by Congress.



Harris & Ewing Photo

Alex Legge

Interest centers in the Federal Farm Board. It is the baby, its methods are novel, it is making daring economic experiments with the whole country as its laboratory—and it has 500 million dollars of public money back of it. History may write later that the Board was the greatest politico-economic achievement of its age—or it may record it as the consummate type of failure of government in business.

The whole scheme may be unsound, but a curious fact is that its head administrator is a hard-boiled, hard-bitten business man, Alex Legge—who believes in it. As president of the International Harvester Company, before he accepted his present job, he was at the head of a colossal farm machinery organization, which has been imprecatively denounced by farmers as a "trust" and suspiciously scrutinized by governmental agencies that are charged with the duty of harassing business men collectively intent upon keeping selling prices above buying prices. He now has, potentially, a half a billion of dollars with which to establish controlled farm commodities selling, from the same government that has spent millions of dollars to dissolve other sales control organizations. No wonder that in his meditative moments he smiles, despite a flock of tough problems, each of which has the making of a permanent grouch for a timid soul.

So much for the background of the interview. The interview, itself, got right down to business.

Question: "Does the work of the Federal Farm Board verge on what might be called state socialism?"

Answer: "No, absolutely no. We are attempting nothing different in effect than the government has already done in various ways for manufacturing industry through the protective tariff and the Department of Commerce; for the railways by land grants and loans; for labor by the tariff, the immigration exclusion laws and others, also the Department of Labor; for finance by the Federal Reserve Act and other constructive laws; for shipping by loans, subsidies, and the general help of the Shipping Board. It is quite as proper to use the governmental machine to help the farmers as those other groups, and that is the purpose of the Agricultural Marketing Act, which describes itself as "An act to establish a Federal Farm Board to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, and to place agriculture on a basis of economic equality with other industries."

The next question went right to the heart of the most acutely sore spot the Farm Board has so far inflamed:

"Does the work of the Board tend to destroy the private trade in produce—not only the grain exchanges but the individual grain buyers?"

"I don't think so," was the answer. "As the process of readjustment of marketing works out the specific effects will not be so disturbing as many now suppose. Marketing of farm products will be more orderly, which means that prices will be more uniform and less affected by speculation. Of course, if the co-operative movement were carried to the *n*th degree, the whole grain trade for example would become co-operative and there would be no room for non-co-operative marketing instrumentalities or grain exchanges. It probably will never get that far. We do hope to minimize—as the law provides—the destructive effects of speculation, but none of us is likely to live to see the private grain trade abolished or speculation eliminated. It is not our purpose to break down any business, but to

help the farmer, through collective action, to market his crops; effects on other businesses will be incidental, not purposeful.

"You must remember that the fundamental purpose of the act is to put agriculture on a basis of economic equality with other industries. This can be accomplished only through some collective control of production, and of selling up to the processor or ultimate distributor. That means, inevitably, considerable changes in present marketing practices. Congress specifically enjoins us to promote the establishment 'of a farm marketing system of producer owned and producer controlled co-operative associations and other agencies' for the purpose of attaining 'greater unity of effort in marketing.' If this unity collides with dis-unity to the dissatisfaction of some the answer lies with Congress.

"Anyway, physical and organization machines are continually dispensing with occupations and abolishing jobs—in this changing world."

In view of the recent weakness in the price of agricultural commodities and the resulting far-reaching reaction that will inevitably be felt on general business and on security prices, if such a trend continues, this interview with the chairman of the board which was specially created to stabilize farm prices is of unusual interest and significance.

The Co-operative Movement

The method of the Farm Board in attaining unity is to use its powers, including the enormous facility of government financing, to make agricultural co-operation universal. The individual farmer joins his particular local commodity group or groups, the groups in turn are federated into regional commodity co-operative groups, and these into national co-operatives. It is through the last—of which four, corporations in legal form, have now been organized—that the Farm Board ultimately will act, for they will finally control agricultural marketing. Temporarily the Board has dealt directly with minor co-operatives. If the organization scheme should work out 100 per cent each of the chief agricultural products of the country would, broadly speaking, have only one selling agency. That prospect gives the produce and grain merchants the cold shivers.

The co-operatives cannot attain marketing unity without financial strength. Farmers must live while they are holding back their products. Co-operatives borrow money from the Farm Board and use it to make commodity loans to the individual producer.

Ewing Galloway Photo

Co-operative Grain Elevator at Buffalo

The Farmers National Grain Corporation, for example, with an authorized capital of $10,000,000, is advanced 90 per cent of that amount by the Board. As it makes loans through subordinate co-operatives it turns them over with the Board. The same organization has been doing some outright buying. Recently the Grain Stabilization Corporation was formed at the instance of the Board to meet the present wheat situation of insufficient co-operative coverage. While the Marketing Corporation can only deal with members, the Stabilization Company can buy anybody's wheat. It has taken over the Marketing Corporation's purchases and has bought on its own account. A cotton stabilization company is on the way. Advances to co-operatives in capital account are to be amortized over a period of years.

The situation recalls war times—government price-fixing and market manipulation. As assistant chairman of the War Industries Board, Mr. Legge has had some notable experience with governmental price-fixing.

Price Fixing?

Mr. Legge was asked whether a governmental loan of $1.25 a bushel on wheat, or 16 cents a pound on cotton, was not pretty close to governmental price-fixing.

He answered that they were rather to be considered as reasonable price stabilizing devices. The figures decided upon were, he said at the time (late October), not unreasonable in view of the general world position of those commodities at that time with respect to supply and demand. But the stock market was in panic, apprehension was in the air because of buying resistance, and demoralization prices were imminent, a condition to which the straits of the Canadian Wheat Pool were contributing until the governments of the prairie provinces guaranteed its bank loans. Purchases as well as loans were indicated to prevent a destructive sagging of prices below rational levels.

"You know something about panics, you fellows in Wall Street," the chairman commented and grinned.

To the pointed question as to what would happen if with new crops coming on it was found that the co-operatives could not sell their holdings at bought or loan prices (with wheat futures selling as much as 20 cents below the Board's loan price), Mr. Legge answered that while the risk of the margin between advances and later realization prices was theoretically that of the co-operatives that borrowed the money from the Board, the risk was actually that of the Board—of the government.

"We might as well face the facts," he bluntly said. "If the price cannot be maintained, some of us close by are going to know where the loss is going to fall."

As to the action of the Board in entering the open wheat market on February 25th when wheat sagged to the dollar line and below, Mr. Legge said that that operation was a general market stabilizing effort. That buying was mainly of the May futures at the market and should not be confused with loans

to and buying from co-operatives on the basis of $1.25 a bushel. Such a course is entirely within the authority granted the Board to deal with surplus problems, but it might be remarked incidentally that $1.25 for co-operative wheat and around $1.10 for non-co-operative is calculated to draw the wheat raisers into the co-operatives in hordes. It is worthy of notice, too, that the Board is using the speculative markets, which its policies tend to eliminate. The co-operatives have in some instances systematically resorted to hedging.

Foreign Reactions

"How about the criticism that the Board is in effect establishing export prices for wheat, which may cause resentment abroad similar to that felt in this country over the British rubber control?"

"We are not attempting to fix export prices, and as for any effect that domestic prices for co-operatives' products may have on export prices the former are not in any sense exorbitant. Loan values for wheat and cotton were based on the best information we could get at that time on world supply and demand conditions—and were intended to make it possible for the farmer who belonged to a co-operative to hold his crop for a more favorable selling time.

"There is no conflict between this policy and the interests of the nation as a whole. Some day the business men will realize that our efforts in behalf of the farmer are just as much in their behalf."

"But, as to the future, how about production? Is it possible to get farmers to limit their acreage of any crop for which they are assured a fair price?"

"We are not establishing a fair price or any price for next year's crop. All our loans terminate with this crop season. Control of production is essential to our purpose. We cannot impose acreage limitations on individual farmers, but the co-operatives are in a position to impose restraints. They can make a pretty close tie-up between loans to members and moderation in planting. It is true that the weather has something to say about production, regardless of acreage, but over a series of years the weather factor balances itself."

Strength in United Action

"But for co-operative control of production to be effective you must get the farmers into the co-operatives."

"The membership of the co-operatives, in response to the new policy, is increasing very rapidly, far in excess of anything in the previous history of the movement. The farmers see the point—that they must get together, that they cannot control production or sell effectively if they don't. Heretofore they got nowhere for the most part because they had, chiefly, local independent organizations. Through the Farm Board they have a real opportunity to get together on commodity lines to do what manufacturing industry has been able to do for itself to a large degree—regulate production and prices. The local co-operatives will no longer compete with each other. Co-operation with Uncle Sam guiding it appears now in an entirely different light to farmers who have hitherto been skeptical. The group sentiment is for it. It will not be easy-going for the individual who does not stand with his group. Yet there will always be many who prefer to go it alone. We don't need all the farmers. But it is only as members of co-operatives that they can have the Board's assistance. Loans to individual farmers are impossible under the law which limits the Board to dealing with co-operatives. The co-operatives cannot count on much help unless they reduce quantity and improve quality."

"How about international co-operation—with the Canadian Wheat Pool, for instance?"

"We have no understandings with foreign groups, but we are operating along similar lines."

"Is there a tendency in the business community generally to make the sledding hard for the Farm Board because of a fear that it is an entering wedge for paternalism in all industry?"

"I find no general opposition—quite the contrary. Business men are coming more and more to think about their own business in terms of the general good. The more they learn of what we are doing and of the fundamental national need of strengthening agriculture the more sympathetic they become. The American public is beginning to realize how far the fate of all is involved in the agricultural problem.

Collective Farm Aid Good Business

"Prosperity cannot survive with the rest of the country acting collectively and the farmer individually. To help the farmers to act collectively is good business logic—nothing more."

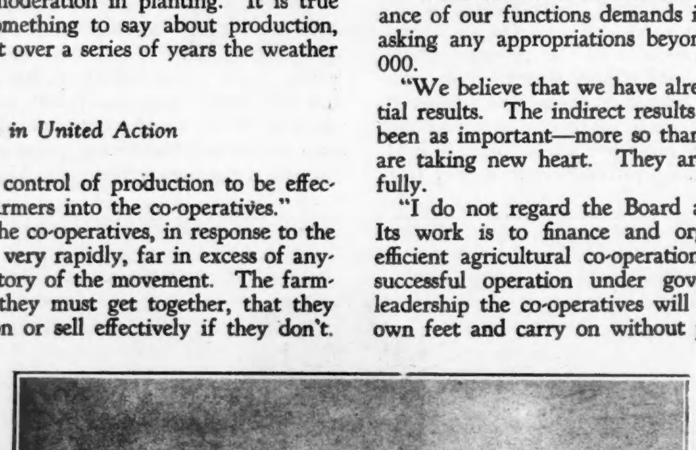
"Do you expect that the Farm Board will ultimately use all of the $500,000,000 that has been authorized?"

"We shall not hesitate to call for it, if the full performance of our functions demands it. At present we are not asking any appropriations beyond the original $150,000,000.

"We believe that we have already accomplished substantial results. The indirect results of the Board's work have been as important—more so than the direct. The farmers are taking new heart. They are facing the future hopefully.

"I do not regard the Board as a perpetual institution. Its work is to finance and organize the beginnings of efficient agricultural co-operation. After a few years of successful operation under governmental assistance and leadership the co-operatives will be able to stand on their own feet and carry on without public financing or supervision. But temporary assistance, such as we are giving, was indispensable—continuation of agricultural deterioration was otherwise inevitable.

"I can say emphatically," Mr. Legge concluded, "that my judgment as a business man approves what the government is doing for the farmers. It is good business and worth the cost."



Lagging Prosperity of Raw Material Producer Basis of Latin-American Difficulties

Economic Disturbances in South America Find Reflection in Domestic Business

By M. David Gould

FOR the past few months signs have been multiplying that all is not well in the Latin-American business world. Bonds of Central and South American governments have been weak while other sections of the bond market have been firmer. Disquieting items of news have appeared from time to time—one country abandons the defense of coffee, another suspends the free movement of gold, two are considering radical changes in their currency systems, exchanges decline or are quoted on a purely nominal basis.

The investor asks: "Are we to have another epidemic of suspension of interest and sinking fund payments in Latin-American bonds, such as we witnessed before 1900 and again at the outbreak of the war?" The American exporter asks: "Will we have credit or sales difficulties with a customer who has been taking a fifth of our total exports?"

Before we can answer such questions, it would seem to be essential to analyze the business situation in Latin America with a view to finding out what basic qualities these countries have in common, and if there is something going on elsewhere in the world which gives a clue to what the future is likely to offer.

Where Our Interests Lie

Looking at a map of South America, and filling in the indicated areas in our mind's eye with their main economic activities, we note first that as we go from north to south, contrary to our northern hemisphere, the climate becomes first warmer, then cooler, that is, more like our own. We therefore expect the more northerly countries to engage in the production of distinctively tropical products, while the southerly ones, producing commodities like our own, are apt to sell to other countries, particularly Europe, in competition with our products. Consequently we occupy a stronger position in the northern part of Latin America, while European trade and finance is more significant in the southern part.

In all Latin America, however, we find that production consists principally of raw materials and foodstuffs; manufacturing is carried on in only a small way, and is largely limited to the utilization of native materials in ways which do not require great skill or large capital investment. On the other hand, their imports consist largely of manufactured products.

Any general economic development which tends to the disadvantage of raw materials and foodstuffs as against manufactured products will therefore lead to business distress in areas like Latin America. If world consumption has been estimated on a very optimistic basis, and credit has been freely used for expansion purposes, such distress may be intensified.

There is not a doubt but that there is such a world-wide tendency to lower commodity prices, affecting principally unmanufactured goods. We are very familiar with it here in the United States. For years the producers of cotton, wheat, cattle and other agricultural products have complained about the unsatisfactory low prices which they have been receiving. Such

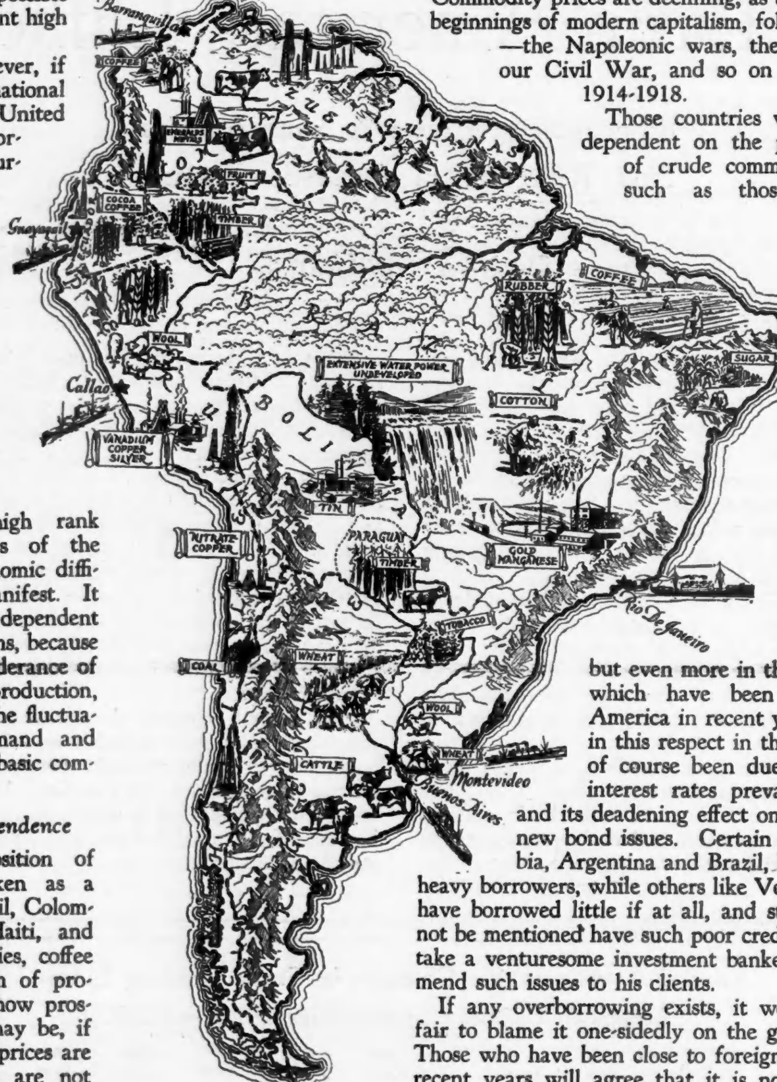
Annual Average Price Changes in Some Leading Latin-American Export Commodities 1925—1929

	1925	1926	1927	1928	1929
COFFEE—					
(Rio No. 7), cents per pound...........	20.57	18.89	14.79	16.55	15.84
SUGAR—					
(Raw, 96°, duty paid), cents per pound..	4.33	4.35	4.75	4.22	3.77
PETROLEUM—					
(Mid-Continent, 33°), $ per barrel........	1.68	1.89	1.29	1.20	1.23
HIDES—					
(Green salted packers' heavy native steers), cents per pound	15.99	14.08	19.33	23.87	17.02
NITRATES—					
(Chile saltpeter, 95%), cents per pound..	2.59	2.56	2.50	2.24	2.16
TIN—					
Cents per pound	57.90	65.36	64.24	50.38	45.16
WHEAT—					
(No. 2 Red Winter cash), dols. per bushel	1.78	1.54	1.37	1.52	1.31

complaints have finally reached a point where the Government is committed to some form of relief, because of the large number of persons involved and the consequent political pressure exerted.

Many other of our raw material producing industries, not in a position to exert such pressure, have been unfavorably affected by the same tendency. We need cite only coal, lumber, paper, petroleum, zinc, lead, silver, leather, sugar, out of the great number that occur at once to one's mind. Copper stands out as a notable exception, because of the high degree of organization of the industry, and steel because of the economy of operation possible at recent and current high rates of output.

In general, however, if we left out of the national economy of the United States its highly organized manufacturing industries, such as the automobile, typewriter, radio, and the like, we should have left principally the great discontented areas of the South and West. We should still have a tremendously rich and prosperous country, taking high rank among the nations of the world—but its economic difficulties would be manifest. It would be a nation dependent on weather conditions, because of the great preponderance of crops in its total production, and dependent on the fluctuations of price, demand and supply in the great basic commodities.



Agricultural Dependence

Such is the position of Latin America, taken as a unit, today. In Brazil, Colombia, Costa Rica, Haiti, and several other countries, coffee is the principal item of production; no matter how prosperous other lines may be, if the crop is short or prices are low, these countries are not thriving. Sugar occupies a similar position in Cuba and other West Indian islands, and to some extent in Peru. Oil is equally the important factor in the national prosperity of Mexico and Venezuela, and is becoming so in Peru and Ecuador. Tin determines business conditions in Bolivia, nitrate in Chile, and wheat and meat in Argentina. Such efforts as are being made to increase diversification of national output in many of these countries do not alter the basic truth of the foregoing.

What then is the outlook? We have seen similar situations in this country, time and time again. Last year, May wheat fell from over $1.50 a bushel to 93 cents, its low for many years; immediately a tendency set in for consumption to increase and for production to decrease, reflected first in a sharp mark-up of the price by wheat speculators. Before long we may expect some kind of stable level to be reached, well above last year's low, even if below the hopes of wheat raisers. Similarly, from October to December, 1926, cotton ranged between 12 and 13 cents a pound; the following year production declined 38 per cent, and by the end of 1927 cotton was up 80 per cent to 22 cents a pound.

We have then a clue to what is going on in Latin America, and what may reasonably be expected to follow. Commodity prices are declining, as they have ever since the beginnings of modern capitalism, following every great war—the Napoleonic wars, the disturbances of 1848, our Civil War, and so on to the Great War of 1914-1918.

Those countries which are in the main dependent on the production and export of crude commodities and foodstuffs, such as those constituting Latin America, will suffer materially more than industrial nations such as the United States, or even such European nations as France, Germany and Great Britain, which have been showing either improvement or ability to hold previous gains.

This situation is aggravated by the plentiful supplies of credit, partly in the form of advances, but even more in the form of bond issues, which have been pouring into Latin America in recent years. The slowing-up in this respect in the most recent past has of course been due to the high level of interest rates prevailing in this country and its deadening effect on the bond market and new bond issues. Certain countries, like Colombia, Argentina and Brazil, have been particularly heavy borrowers, while others like Venezuela and Paraguay have borrowed little if at all, and still others which need not be mentioned have such poor credit status that it would take a venturesome investment banker to offer and recommend such issues to his clients.

If any overborrowing exists, it would certainly not be fair to blame it one-sidedly on the greed of the borrower. Those who have been close to foreign investment affairs in recent years will agree that it is no exaggeration to say that at the height of the foreign loan "boom" of 1926-28 representatives of American bankers actually sat on the doorsteps of borrowers in competitive endeavor to obtain new bond business for their principals.

Coffee in Brazil

A further aggravation of the difficulties which were bound to come with any decline in commodity prices resulted from the handling of the coffee situation by Brazilian authorities. Without attempting to apportion praise or blame, any outsider must fully sympathize with the efforts of government to end the evils of the old days in the coffee

business, when the crop which had been hastily gathered and rushed to market at Rio or Santos was at the mercy of foreign buyers.

However, the fact is that Brazil, which for the past ten years has produced on the average 68 per cent of the world's coffee crop, has persisted in trying to maintain the price of coffee in defiance of economic law, and now finds itself with a stock on hand of 20,000,000 bags, with an annual production within its own borders of about that amount, a production by other countries of 8,000,000 bags a year, which has been increasing rapidly, and a world consumption of 24,000,000 bags a year, which has been increasing since the war at the rate of only about 3 per cent a year. The sharp break in coffee prices a few months ago, when the impossibility of the situation became evident, resembled closely the break in rubber in February, 1928, when Great Britain decided to abandon the Stevenson rubber restriction act.

Taking only the major commodities of Latin-American trade with the United States, we find that Latin America uses the proceeds of its coffee exports to us to pay for its imports of automobiles, tires, tubes, gasoline, lubricating oil and machinery. Similarly, its sugar exports to us pay for our sales to Latin America of other iron and steel products, raw and manufactured cotton, and chemicals, while their sales of petroleum and its products go to pay for their importations of wheat and other breadstuffs, lumber, and refined petroleum other than gasoline and lubricating oil.

The Basic Difficulty

This unorthodox way of putting certain basic facts of our export trade indicates how closely it is bound up with the prosperity of certain basic raw materials which, at the present time, are selling at low levels. A general discussion of the lagging prosperity of raw material producers as against producers of highly finished products is contained in THE MAGAZINE OF WALL STREET for November 5th, 1927, and the general situation therein outlined has, if anything, turned even more to the disadvantage of the raw materials producer than was the case at that time.

This, in the writer's belief, is the simple but basic reason for the business difficulties which confront various Latin-American countries at the present time. There is no reason to believe that these difficulties are insuperable, or that they will lead to further complications beyond slowing down, for the time being, the tempo of economic progress in certain countries where it had been speeded up by large credits or other artificial means too fast for the actual world situation. The fullest faith and confidence in the ultimate future of Latin America as evidenced by the recent sharp recovery in bond prices, seems justified by an analysis of the facts, but there is equally no use in disguising the truth that wide fluctuations from time to time must be expected in the prosperity of any area which is so largely dependent on the export trade in raw materials and foodstuffs in a period of declining prices.

In Various Countries

Taking up outstanding features in the economic situation of certain Latin-American countries, Argentina has been criticized in some quarters for reimposing an embargo on the exportation of gold in view of the fact that its gold coverage still constitutes 75 per cent of the amount of currency in circulation. On the other hand, gold holdings have declined from $455,664,000 on August 24th, 1927, when the Exchange office was reopened and the gold standard became operative, to $419,643,000 at the end of last year, with a declining exchange, little prospect of further foreign loans in substantial amount, a shrinking trade balance, and a small wheat crop. With an export trade of nearly a billion dollars in 1928, Argentina does a larger foreign trade business per capita than the United States (approximately 2½ times), but it exports about 78½ per cent food products, while the United States exports consist about 77.9 per cent of manufactured goods or materials used in manufacturing. As the cycle of low prices—greater demand, less supply—higher prices asserts itself, the Argentine situation may be expected to improve materially.

(Please turn to page 808)

American Participation in Latin-American Foreign Trade

Country	Population	Area in (sq. miles)	Exports, 1928	Imports, 1928	% of Exports going to U. S.	% of Imports coming from U. S.
Argentina	10,646,800	1,153,418	$992,893,000	$372,394,000	10.0%	20.5%
Brazil	39,104,000	3,286,170	473,500,000	440,651,000	45.4	26.6
Chile	4,340,000	290,000	238,864,000	142,111,000	31.5	28.2
Uruguay	1,808,000	72,172	104,650,000	96,918,000	10.2	30.3
Mexico	15,048,000	760,290	287,712,000	173,502,000	69.7	68.2
Peru	6,147,000	532,047	153,182,000	85,667,000	28.1	39.4
Cuba	3,580,000	44,164	278,643,000	212,357,000	76.5	60.7
Colombia	7,508,000	495,522	113,340,000	122,695,000	81.1	46.3
Bolivia	2,861,000	787,000	42,247,000	22,851,000	0.3	11.6
Paraguay	880,000	196,000	15,318,000	13,792,000	0.4	16.0
Venezuela	3,027,000	393,976	117,359,000	80,190,000	33.1	47.4
Nicaragua	638,000	49,500	11,717,000	13,379,000	51.5	62.8
Salvador	1,688,000	13,176	24,513,000	19,226,000	13.1	39.5
Honduras	773,000	46,322	23,191,000	12,597,000	76.3	79.8
Guatemala	2,346,800	48,290	28,270,000	30,170,000	33.9	44.2
Costa Rica	493,000	23,000	19,075,000	18,225,000	29.2	44.4
Ecuador	1,750,000	109,973	19,571,000	15,779,000	27.3	23.9
Panama	500,000	32,388	4,113,000	16,785,000	90.0	67.0

Refinancing or Receivership?

Unusual Dilemma of Fox Film Stockholders as Huge Enterprise Trembles in the Balance

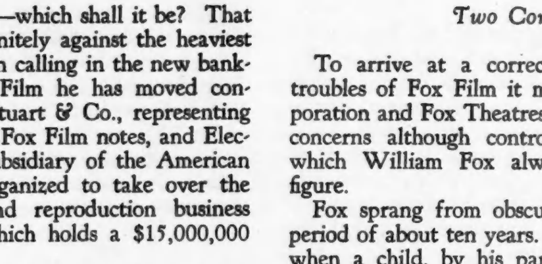
By Ellsworth Haldane

"Which is the right and the wrong?
Sing it, oh, funeral song
With a voice that is full of tears,
And say that 'twas broken faith
Wrought all this ruin and scathe . . ."

IN the accusations and counter charges that have been flung back and forth across the tangled financial status of the Fox Film Corporation, stockholders, in whose hands probably rests the final fate of all the vast Fox interests, may be excused if they find themselves in tune with the sentiments expressed above, slightly paraphrasing the original, which was written for an entirely different occasion.

Reorganization or receivership—which shall it be? That William Fox has set himself definitely against the heaviest of the Fox creditors is certain. In calling in the new banking syndicate to refinance Fox Film he has moved contrary to the wishes of Halsey, Stuart & Co., representing the purchasers of $12,000,000 in Fox Film notes, and Electrical Research Products, Inc., subsidiary of the American Telephone & Telegraph Co., organized to take over the talking picture and other sound reproduction business of the Western Electric Co., which holds a $15,000,000 claim.

It must be admitted that two creditors, with aggregate claims of $27,000,000, are potent factors to be considered in any scheme of reorganization. Their rights cannot be contravened by the court, which now has under consideration the question of receivership, even for the purpose of protecting stockholders. Fox Film directors already have approved the new reorganization plan for which Dillon, Read & Co., Lehman Bros. Co., and Bancamerica-Blair Corporation are to furnish the funds provided Class A stockholders approve the plan and the court also sanctions it.



Fox Film faces over $45,000,000 in obligations, maturing in less than sixty days, or by about the middle of April. It has heavy commitments to meet during the year. Judgments of more than $7,000,000 already have been obtained by creditors. The major part of its obligations of a pressing nature was incurred in assisting Fox Theatre Corporation to secure its present large interest in Loew's, Inc., and in the purchase of the Gaumont theatre circuit in England. This latter deal, it now is reported, has fallen through after about $4,000,000 already has been expended. According to a letter of the directors to the stockholders these acquisitions were made only after consultation with Halsey, Stuart & Co., the conclusion being that the latter are estopped, at least morally, from using the cost of these acquisitions as a basis for mismanagement charges, and for the purpose of urging the adoption of their plan instead of that of the other banking syndicate.

Two Companies Involved

To arrive at a correct understanding of the present troubles of Fox Film it must be understood that this corporation and Fox Theatres are entirely separate and distinct concerns although controlled by the same interests—in which William Fox always has been the commanding figure.

Fox sprang from obscurity into great prominence in a period of about ten years. He was brought to this country when a child, by his parents who emigrated from Hungary. He obtained his education in the New York public schools and began work as a cloth sponger. Later he bought a little motion picture theatre in Brooklyn and still later acquired a larger one on Third Ave., New York. Little by little he added to his ownership until he had developed an organization which, in 1915, was incorporated as the Fox Film Corporation. This has grown into one of the world's largest enterprises of its kind. Fox Theatres was not chartered until 1925. These two companies and their subsidiaries, if taken as a unit, are the largest in the motion picture and theatrical industry. It has been the dream of William Fox to make them one unified corporation, legally and in fact, instead of being merely closely associated organizations. It was in furtherance of this dream that Fox Film became a large creditor of Fox

Theatres, and from this has emanated a considerable part of the present financial troubles of the film corporation. One wonders if, eventually, Mr. Fox will merit the sonorous sounding phrase of Victor Hugo, applied to a still great visionary: "Mighty somnambulist of a fallen dream."

In the cross operations of Film and the Theatre corporations and their final effect there is to be found an evidence of the danger of interlocking ownership of controlling stock. Had not William Fox controlled the Class B shares of each of the two corporations, and thus also controlled the directorates of both companies, Fox Theatres probably would not have received the benefit of Fox Film's pledge of credit for $17,000,000 for funds to aid it in acquiring a large block of stock in Loew's, Inc. The film corporation would not now have such heavy pressing obligations. In an affidavit filed in the receivership proceedings in the Federal Court, Mr. Fox said the two largest creditors knew this would necessitate refinancing by Fox Film, and, logically, if they knew it, he also was cognizant of it.

P. & A. Photo
William Fox

A Great Ambition

No one can censure Mr. Fox for being ambitious. No one can justly blame him for wanting to be the greatest factor in the amusement world. He had built up a tremendous organization from nothing through the dominant force of his personality, and it is not to be wondered at that William Fox believed that he could weld his various properties into one single corporation of unquestioned leadership. Perhaps if it had not been for the crash in stocks last fall it would have been possible for him to have brought about his projected consolidation and have obtained the financing necessary without dragging the Fox Film Corporation into its present unenviable position.

The trouble seems to have lain, not so much in the merger plans as in the over-extension of his companies, through the constant acquisition of other corporations and theatres. The Fox imagination was limitless. One of his projects involved the erection of a fifty-one story skyscraper on Broadway; another was a plan for the building of an immense theatre in Boston, through the purchase of the Hotel Touraine site in that city, the project to require the expenditure of about $10,000,000. In order to carry out his various plans Mr. Fox borrowed on securities in large blocks, obtaining loans on the basis of the market value of the securities before the break.

Having been forced into equity receivership proceedings in the Federal Court, it became necessary for the film corporation to prevent, if possible, the actual appointment of a receiver. After there had been several continuances the plan of the new banking syndicate was placed before the court, having the approval of Class B stockholders and of the board of directors of the corporation.

Plan of Refinancing

Briefly this plan is as follows:

Fox Film will issue $40,000,000 in ten year, 7 per cent sinking fund gold debentures, convertible in Class A common stock, and bearing warrants entitling holders to purchase 25 shares of Class A stock for each $1,000 in debentures, price of stock to be determined by market conditions at the time issue is authorized, the price never to be less than $20 the first three years, $25 for the next three, and $30 in the last four years.

The corporation also will create a preferred stock issue of $25,000,000, to be 7 per cent cumulative, convertible into Class A at a price to be determined in the light of market conditions at the time of authorization, but not less than $20 a share for the first five years and $25 thereafter.

To fund its indebtedness of about $18,000,000 and to pay off the $15,000,000 indebtedness to Electrical Research Products, Inc.—which is guaranteed by Fox Film—the Fox Theatres Corporation will issue $40,000,000 in ten-year, 7 per cent convertible debentures, to be offered to stockholders of Fox Theatres and underwritten by Fox Film for a cash commission of 9 per cent.

It is needless to say that this financing is going to impose a heavy burden on Fox Film for the next ten years. But what plan is better? Or is receivership better than any plan at all? This is for the stockholders soon to determine and for the court ultimately to sanction.

Subsequent to the submission of this plan, the bankers agreed to modify it, if desired, so that if at any time before the debentures and preferred stock are issued, Fox Film may elect to pay the bankers in stock, as was originally specified, or Fox may give to the bankers and the syndicate a five-year option on 500,000 shares of Class A stock at $20 a share.

Losing Control

Until the issue of $12,000,000 in gold notes, financed by Halsey, Stuart & Co., Fox Film had been under the exclusive control of William Fox, through his ownership of a majority of the Class B stock which has the sole voting power. However, on September 18th, 1929, the directors submitted to stockholders a proposition to increase the board membership from 8 to 12, and to permit Class A stockholders to elect five directors. While this was a concession, it still left William Fox the control of the board and, logically, of the company's policies.

Chiefly as a consequence of the break in stocks, Mr. Fox, on December 5th, 1929, surrendered his control by placing his holdings in the hands of three trustees, consisting of himself, John Otterson, president of Electrical Research Products, Inc. and H. L. Stuart, of Halsey, Stuart & Co., the two last named representing, of course, American Telephone and Halsey Stuart & Co., creditors in the aggregate to the amount of $27,000,000. The course of this trusteeship has apparently been far from amicable. It was charged that the co-trustees violated their contract by demanding the resignation of Vice-President Leo of Fox Film and subsequently endeavored to supplant Fox himself.

Nevertheless the trusteeship still persists and will until the new trustees are chosen, if and when the proposed new financing plan becomes effective.

In the uncertain state that has existed it was natural that the Class A stock, which is the only issue in which the general public is interested, and which is actively traded in on the New York Stock Exchange, should have been adversely affected in price. From a high of 105⅝ in September, 1929, the Class A stock declined to a low of 16⅛ this year on the first authentic information that a receiver would be asked for. Subsequently the stock recovered considerably

(Please turn to page 824)

Will American Rails Split Their Shares?

Recent Action of Canadian Pacific Suggests Domestic Roads May Do Likewise — Potential Share Splitters Offer Investment Opportunity

By PIERCE H. FULTON

THE splitting up of shares of corporations and financial institutions that became such a frequent occurrence — almost daily at times — during the big boom in the stock market last year, but which came practically, if not actually, to a standstill with the crash that followed, has started again.

Such developments offer considerable encouragement for the long range view of the market and business, for split-ups are never contemplated when the outlook is unfavorable. The revival of the practice would indicate that since the dark days of last Fall, we have travelled some distance on the road toward better business, larger earnings and higher prices for securities.

We have some distance yet to go to reach the high levels in all these respects that prevailed while the boom in everything—including sentiment—was on. But the significant fact to be borne in mind now is that directors, officials and their bankers evidently believe that sufficient improvement has taken place, and that the outlook is sufficiently good, to justify split-ups in numerous industries.

However, in this article we propose to confine ourselves to the probable split-up of shares of American railroads that have sold at high prices for some years; whose properties and finances are in exceptionally strong shape; whose earnings are generally well above those of competitors less favorably situated, and which have huge profit and loss and corporate surpluses.

What we will talk about was suggested largely by the decision of Canadian Pacific Railway directors recently to split the common stock of that company on a 4 to 1 basis. Look at your records and you will find that the high quotation last year for that prime investment as well as speculative issue was 265⅞. The low was 185. Recently it has sold as high as 226¾, a gain of almost 42 points from the low mark of 1929.

A Significant Step

In view of the wheat situation in Canada this Canadian Pacific proposal should be regarded as particularly important and significant. It may be safely assumed that E. W. Beatty, far-sighted young chairman and president of that great railroad, would never have dreamed of recommending the split-up when the stock market slump was on and the stock of his company was selling around 185, or 80 points below the high level of last year.

At that time both gross and net earnings of Canadian Pacific were falling off heavily and rapidly, because of the extent to which the wheat crop in the Canadian Northwest had been hit by the drought earlier in the season.

Now, however, with the stock having sold above 226, and in spite of a decrease of several million dollars in gross earnings during the last three months of 1929, he has recommended the split-up and it has been approved by his directors.

That man, who is at the head of not only one of the greatest railroads on the Western Continent, but also one of the largest steamship systems, one of the largest financial institutions and one of the most important and powerful of development enterprises, knows that wheat will grow again on a large scale in western Canada, that immigration will increase, and that the country will develop and become still richer.

In short, Mr. Beatty is looking well to the future and not to the materially reduced wheat crop of a single season, losses in railroad earnings for a few months and a large surplus of wheat still in the hands of Canadian farmers and in the elevators along the lines of the Canadian Pacific.

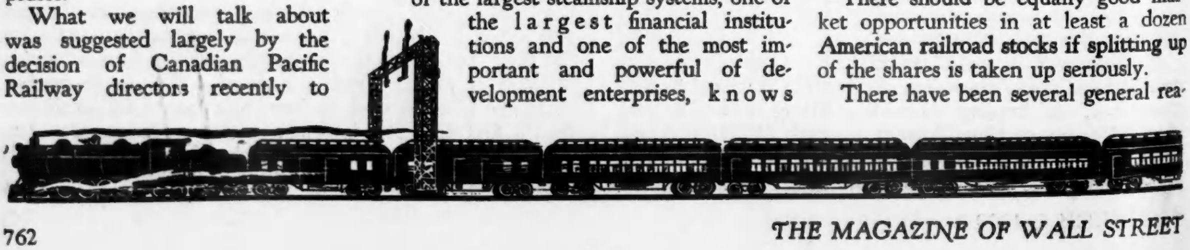
Remember, he believes in coming prosperity for Canada and wants the people of that Dominion to lay away a nest egg by being able to buy a few shares each of Canadian Pacific common at the relatively low price of between $50 and $60 instead of above $265.

Price Stimulant

It should be noted in passing, and particularly in considering the effect upon American railroad stocks that may be split, that on the day the Canadian Pacific announcement was made, the common stock of that company jumped about 19 points. Part of this big gain was made before the news was out and a part afterward. The advance in each respect, particularly in view of the big upturn in the days and weeks immediately preceding was striking. It may be regarded as even more significant that the stock went still higher for several days following the announcement.

There should be equally good market opportunities in at least a dozen American railroad stocks if splitting up of the shares is taken up seriously.

There have been several general rea-



Union Pacific **Atchison** **Delaware & Hudson**

New York Central **Atlantic Coast Line**

Illinois Central **Lackawanna** **Southern Railway**

sons why the splitting-up of shares has been indulged in by such a large number of corporations and financial institutions, and likewise become so popular. Mr. Beatty, in making the announcement for his company, however, gave the principal reason that applies in every case. He said that "this action of directors has been dictated by a desire to place the company's shares within the reach of investors of moderate means and thus to increase the number of its shareholders, particularly in Canada.

Here are the latest official figures—received a few days ago—as to how Canadian Pacific common stock is now held. There are approximately 18,000 holders in Canada, including about 6,000 officers and employes. They hold 18% of the total common.

In the United States there are roughly 11,000, an increase of 3,500 in the last two years. About 33% of the stock is held in the United States compared with 26% two years ago.

Great Britain ranks first, as it has 19,300 holders, who own 43% of the stock. Two years ago the latter was 6% higher and the former 2,400 larger.

Approximately 4,000 holders in France, Germany and other countries hold about 6% of the stock, in which figures there has been no material change for some years.

A Potential Melon

Although the Canadian Pacific president added that "no change in the dividend distribution is anticipated, that on the new stock, when issued, being equivalent to the rate on the present stock," it is more than likely that those who buy the new shares, and likewise those who keep their present old shares and exchange them for the new, will be given the right, during the present year, to subscribe to additional stock on favorable terms, which will materially add to the total income on their investment for the year. Since 1902 Canadian Pacific has made nine offerings of common stock to the holders of that issue, the "rights" on which have ranged in value from 3⅛ to 19.

And now don't forget, if you are a bit timid about your present holdings of the shares of some of the strongest American railroads, or if you are a prospective investor in them, that the opportunities for the steam railroads in the United States are as great as for those in Canada. Moreover, the officials and directors of our great railroad systems are no less courageous and far-seeing than their Canadian brothers. If they were not, and had not been, we would not have these splendid systems, in a highly satisfactory position physically and financially, of which we may be so justly proud.

Before going further attention should be drawn to the fact that a second reason for splitting shares is to make it easier to pay larger cash dividends. The Canadian Pacific now pays $10 a share on its junior issue. To increase that rate might look like going too far, but to raise a quarterly disbursement of 62½ cents a share would not attract special attention.

American Candidates

Let us take a glance at a few of the leading railroads of the United States, whose common shares are most likely to be split when such action becomes at all general among the railroads. Important people in Wall Street have been asking their friends when the Union Pacific directors would vote to split the common stock of that great system on a 4 for 1 basis. So far it has not been possible to learn, still the action is expected.

That issue last year sold as high as 297⅝. The top figure so far this year is 237¼. Even the latter is a high price for a railroad stock. The smallest investors cannot buy even one share. Railway officials and directors realize the importance of having the stock of their companies widely distributed among small investors—the people who keep what they buy.

Union Pacific pays $10 a share on its junior issue. If it were to raise that rate probably one or more of the senators who led the opposition to the confirmation of Charles E. Hughes as Chief Justice of the United States Supreme Court would cry out that somebody was being robbed, and that there should be an investigation.

Really, the only way that a railroad whose common stocks sells much above $200 a share can bring it within reach of thousands of small investors is to reduce the par value and split the shares. This is the only way that dividends, larger than 10% a year, can be safely declared and paid.

Union Pacific, on December 31st, 1928, had a profit and loss surplus of nearly $235,000,000. The amount was materially increased in 1929. Before long the figure will be $250,000,000—a quarter of a billion. This in itself is a target for the Borahs, Norrises and Bleases.

If Union Pacific were to split its common stock on a 4 for 1 basis it would be in a better position to divide up at least a part of this big surplus. Union Pacific owns thousands of shares of New York Central, Chicago & North Western and other railroad stocks. With the market price of the present common cut in quarters, it would be easier also to make a distribution of at least a part of these holdings to the owners of its own junior issue to whom in reality they belong.

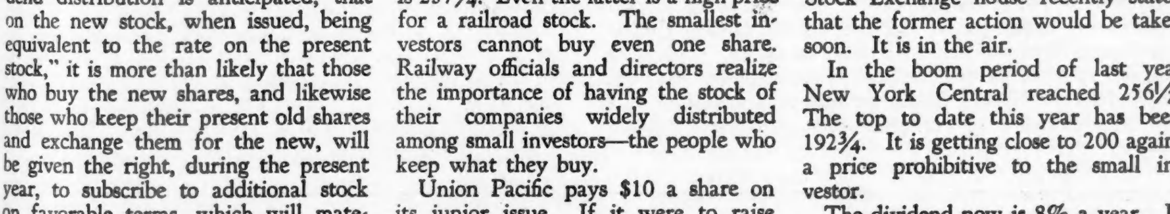
New York Central

There have been definite indications that New York Central directors are planning to split the stock of that company. That body of men is known for its conservatism but the Street believes that the action of the stock in the market recently has foreshadowed splitting of shares or some other equally important announcement. A prominent Stock Exchange house recently stated that the former action would be taken soon. It is in the air.

In the boom period of last year New York Central reached 256½. The top to date this year has been 192¾. It is getting close to 200 again, a price prohibitive to the small investor.

The dividend now is 8% a year. It may be doubted that New York Central directors would like to raise it to 10%. That figure would sound high. To increase a quarterly disbursement of only 50 cents a share would seem altogether logical.

New York Central is in a particularly strong position (*Please turn to page* 792)



UTILITIES POWER & LIGHT CORP.

Domestic and Overseas Diversification in Utility Investment

Extensive British Properties Acquired Last Year Offer Excellent Opportunity for Development

By FRANCIS C. FULLERTON

THE operation of the domestic public utility properties has been a field of almost unexcelled opportunities during the last decade, but the recognition that similar or even greater opportunities exist in the development of utility properties in foreign countries has led American enterprise to make heavy investments in this direction. Development of the power resources of this country has proceeded to a much greater extent than in most foreign countries, so that it is but natural that the technique and methods evolved here might be applied to great advantage abroad. An adequate supply of cheap power is an important factor in the economic upbuilding of a country.

Even in the more industrialized of the European countries, the development of electricity has been slower than here, although in recent years this too has proceeded at an accelerated pace. As against a per capita consumption of electricity in the United States of approximately 627 kwh. per annum, Germany consumes about 250 kwh., Great Britain only 155 kwh., and in most other countries it is still less. Roughly, the great disparity between the consumption of power in the United States and in foreign countries is indicative of the possibilities of the electric power and light industries in these countries. This does not, of course, mean that the peak of development has been reached in the United States, because as a matter of fact the trend of our power production continues steadily upward.

Last year the Utilities Power & Light Corp., one of the major utility holding companies in the United States, embarked on a large scale acquisition of electric power and light properties in Great Britain. By this move, Utilities Power & Light Corp. has not only diversified its income to include foreign as well as domestic sources, but has entered territory which gives exceptional promise for profitable development, because of the strategic location of the newly acquired properties. The acquisition of the British properties, namely, the Greater London & Counties Trust, Ltd., through control of the entire issue of ordinary shares, has undoubtedly been the most important step in the system's expansion program. As now constituted, approximately 23% of the consolidated gross and 32% of the total net income is derived from the English properties. Electric service is furnished without competition under Acts of Parliament to three large areas adjoining the City of London and all told to 95 cities and towns in England and Scotland with a total population estimated at 3,250,000. Although the territory includes large manufacturing centers, electric development in the past has been somewhat retarded, but is now making rapid headway. In fact, the use of electricity in the cities served by the subsidiaries of the British company is increasing at twice the rate of corresponding American cities. The management, moreover, has announced that it will spend more than $50,000,000 in the next five years in the improvement of these proper-

Growth of Utilities Power & Light System

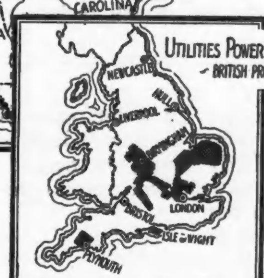
	1925	1926	1927	1928	1929*
Gross Revenues	$7,630,295	$15,894,283	$29,180,145	$44,821,981	$53,194,293
Net after Exp., Int., Depr., etc.	1,437,472	2,147,916	3,040,034	4,496,882	7,013,999
Earned per Share Class A (1)	4.35	5.30	4.44	4.95	5.81
Property and Plant Investment	41,409,887	103,863,503	199,007,435	253,811,406	290,536,670
Electricity Generated and Purchased (Mkwh.)	88,316	378,203	585,888	673,592	NF
Gas Produced and Purchased M. cu. ft.	387,425	820,105	2,397,276	3,963,086	NF

* Twelve months ended Sept. 30th. NF—No figures available. (1) On average number of shares outstanding for the period.

ties, an amount almost twice the figure at which the British holding company carried its plant and property on December 31st, 1928.

Utilities Power & Light Corp was organized in 1915 as a holding company and up until the acquisition of the British properties last year confined its operations almost entirely to the United States. Since 1925, expansion has been particularly rapid and at present the system comprises eight major subsidiaries in this country. The domestic properties are rather widely scattered, bearing little or no physical relationship to each other. In view of the management's policy of rapid expansion, the primary consideration is the acquisition of desirable properties and laying the groundwork for their more efficient management and operation, which takes precedence over the important but less urgent question of creating a compact organization out of diverse elements. The geographical diversification that results therefrom does, however, offer tangible advantages to the investor through greater stability of income.

Various types of utility services are furnished by the domestic properties to over 832 cities and towns located in 18 states and in New Brunswick, Can., with a total population of approximately 2,815,000. The services provided are electric light and power, gas, steam, heat, water, and electric railway and motor coach transportation. Electricity and gas, however, are the chief services furnished, the number of customers receiving one or both being over 521,000. In fact, the most recent earnings statement shows that more than 95% of the total revenues were derived from these two sources. Of the various forms of utility services, electricity and gas are the ones showing the greatest and most consistent yearly growth.



Widely Diversified Territory

The more important of the cities served by the system include St. Louis and Indianapolis. The former is served with gas and in part with electricity for light and power, while Indianapolis is served only with electricity. Interstate Power Co., one of the oldest subsidiaries of the system, serves 366 cities and communities chiefly with electricity, in the states of Minnesota, Iowa, North Dakota, South Dakota, Oklahoma, Wisconsin, Nebraska and Illinois. Physical interconnection of many of these properties permits a more efficient operation of steam electric plants and a more complete utilization of hydro-electric plants.

Two areas in New Jersey are served, the one a rapidly growing resort section along the Atlantic Coast, and the other a combined residential and manufacturing area in the central part of the state. In New England, Newport and three other communities in Rhode Island are furnished with electricity, and in Connecticut three manufacturing towns are served with both electricity and gas and a fourth town only with gas. Utilities Power & Light Corp. also owns 60% of the common stock of the Central States Utilities Corp., a system of moderate scope but extensive area, with properties in Alabama, Arkansas, Missouri, North Dakota, and New Brunswick, Canada.

Formation of Power and Gas "Pools"

Although the properties of the Utilities Power & Light Corp. are somewhat scattered, the organization of power and gas pools, with other large systems in its territories, overcomes to a great extent the apparent disadvantage of this fact. Last year, for instance, in the territory extending from St. Louis to Pittsburgh and north of the Ohio River, an affiliation was reported formed by the Utilities Power & Light, Columbia Gas and Electric, Standard Gas & Electric, and American Gas & Electric to pool their gas and power output. One of the chief purposes of this pool would be the formation of a super-gas area here which will utilize not only the manufactured gas facilities in the territory but also large quantities of natural gas to be brought up from the Southwest.

Large amounts have been expended by the system in the past years to improve and increase its facilities for the purpose of rendering better service at lower cost and to anticipate the increase in demand. During 1930, approximately $30,000,000 will be spent for new development. Among the more prominent projects are included a 160,000 kilowatt super-power plant on the White River near Indianapolis, the completion of another of similar size on the Raritan River near Sayreville, N. J., and the construction in St. Louis of a 10,000,000 cubic feet gas holder. Lines, operating equipment and service will be extended and improved throughout the properties.

Earnings of the system have expanded remarkably in line with the large acquisitions in recent years. Total gross revenues which were $7,630,875 in 1925 grew to $53,194,293 in the year ended September 30th, 1929, an increase of almost 700%, while net earnings applicable to the holding company securities increased from $1,961,407 in the earlier period to $13,860,911 a gain of slightly over 700%.

A more detailed analysis shows that gross operating revenues from utility properties for the twelve months' period ended September 30, 1929, were $48,657,573 of which 72.1% was derived from electricity, 18.9% from manufactured gas, 4.8% from natural gas, 1.5% from transporta-

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Current Opportunities in Convertible Bonds

Good Yield Combined with Attractive Conversion Features Holding Promise of Profit

By WARD GATES

THE action of the bond market especially since the break in the stock market in October last year is being carefully observed to ascertain the nature of current and future security buying of the investment public. A swing to ultra-conservatism will create a demand for securities which are well secured with respect to both property and earnings, and therefore will usually take the form of first mortgage bonds. But that this is so is not at all certain as it is very likely that the newly developed popular taste for common stock investing which was stressed so much prior to the crash in the stock market has left its mark.

Five Attractive Convertible Bonds

	Approximate Price	Yield*	Call Price	Conversion Price of Stock	Present Price of Stock
American International Corporation 5½s, 1949	94	5.85	110	80	42
Associated Gas & Electric 5½s, 1977	100	5.50	105	135(1)	132
Baltimore & Ohio 4½s, 1960	99	4.54	105('36)	120(2)	117
International Telephone & Telegraph 4½s, 1939	118	3.82	102½	67	68
Texas Corporation 5s, 1944	101	4.95	102	70	51

(1) These bonds convertible into units of 2 shares class A and 1 share common. About $6,000,000 bonds outstanding. $1,000,000 convertible at $135 per unit, remainder at $140 per unit. (2) Beginning February 1, 1931. * Current yield.

Somewhat subdued by the furore of the decline, it is apparent from the activity in the bond market that investors nevertheless have developed a leaning toward securities which incorporate the definiteness of bond income with the speculative flavor and appreciation possibilities of the common stock. In other words, convertible bonds, or bonds with warrants attached to buy common stock of the company, will be favorable financing mediums for the period immediately ahead, followed later possibly by a revival on a large scale of common stock financing. The growing favor of equity securities as investments is a logical development in this country and follows the experience of European creditor countries who have been through a similar process years ago.

The five bonds analyzed herewith all have attractive conversion features, and as a list, offer diversification in five different industries, namely, investment trust, electric and gas utility, railroad, telephone and the oil industry.

American Internat'l 5½s

The American International Corp., although organized about fifteen years ago for the purpose chiefly of participating in foreign trade operations, has since 1922 become more and more an investment corporation and is now regarded as an investment trust of the management type. Last year, $25,000,000 twenty-year 5½% debentures were issued convertible into common stock at $80 a share in 1930, at $90 in 1931 and 1932, and at $100 during the following two years. The common stock is currently selling for about 44 on the New York Stock Exchange, indicating that the conversion privilege is not of great consequence at the moment. Last year, however, the stock sold as high as 96¾ showing what effect a bull market can have. The bond constitutes an option on the stock at $100 or less for a period of five years during which the holder receives interest at the rate of 5.8% if purchased at the current price of 95.

The company has large investments in Ulen & Co., but the bulk of the investments are in a well diversified list of securities of prominent corporations. The portfolio as of the end of 1929 consisted of 10.1% notes and bonds, 8.8% preferred stocks, 12.8% bank stocks, 68.3% common stocks. Classified another way, assets were distributed as follows: cash, call loans and receivables 11.7%, industrials 39.4%, rails 18.4%, public utilities 14.9%, bank stocks 11.1%, oils 3%, foreign securities 1.5%.

In the past the company has realized large profits from trading of securities. Earnings in 1929 were $9,039,033, equal to $8.86 per common share, against $3,060,839 or $3.12 the year before. The common stock carries a dividend of $2 in cash and 4% in stock per annum.

Assoc. Gas & El. 5½s

The Associated Gas & Electric Conv. Debenture 5½s due 1977 are a call for three years, specifically to February 1st, 1933, on the Class "A" and on the common stock in units consisting of two shares of the former and one share of the latter. These bonds were originally offered in 1927 in the amount of $40,000,000, but only approximately

$6,000,000 are currently outstanding, the remainder having already been converted. The present conversion ratio is $135 per unit which is effective for part of the bonds, while the last remaining $5,000,000 are convertible at $140 per unit.

The bonds are listed on the New York Curb Exchange obtainable currently at about 100 to yield approximately 5.50%. In view of the proximity of the market price of the unit to the conversion ratio, an advance in the Class "A" and common stocks from present levels should have immediate effect on the price of the bond. At the same time, the current price of the bond may be considered as fairly close to its investment value as a straight bond.

Associated Gas & Electric Co. is one of the major public utility systems operating in territory which is diversified to an exceptional degree both geographically and as to type of industrial activity. Service is provided to over 1,250,000 customers in more than 2,300 communities located mainly in the eastern part of the country. Gross earnings of the system are in excess of $100,000,000 yearly. Interest and underlying charges are earned more than 1½ times after operating expenses, taxes and depreciation.

Baltimore & Ohio 4½s

Baltimore & Ohio Convertible 4½s due 1960 are a new issue offered in January of this year to the preferred and common stockholders in the amount of 20% of their holdings at 95. Beginning with February 1st, 1931, to February 1st, 1936, the bonds will be a call on the common stock of the company at $120 a share, thereafter to February 1st, 1941, at $125, and thereafter to February 1st, 1946, at $130 per share. Provision will be made for adjustment of the conversion price if additional stock is issued before complete conversion of the bonds occurs.

The bond is not callable before February 1st, 1936, from which date to February 1st, 1955, the issue is redeemable as a whole at 105, thereafter at par plus a premium of ½% for each six months' period between the redemption date and date of maturity. The bonds will be listed on the New York Stock Exchange, but at present are traded in on the Curb Market, currently selling for about par.

Baltimore & Ohio is one of the strategically located trunk lines and has the shortest route between the Atlantic Seaboard and Chicago and St. Louis.

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Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

	Prior Liens (Millions)	Interest Times Earned on All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Panama 5½s, 1953 (a)	....	...	102½GT	100	5.0	5.4
Norway 40-yr. ext. 5½s, '65	....	...	100F	101	5.4	5.4
Dominican 5½s, 1942 (a)	....	...	101G	96	5.7	6.0
Haiti 6s, 1952 (b)	....	...	100	99	6.0	6.1
Railroads						
Atchinson, Top. & S. F. Conv. 4s, 1955	267.4	5.51	110	90	4.4	4.6
Pennsylvania 5s, 1964	....	3.25	102T	103	4.8	4.8
Illinois Central 4¾s, 1966	....	1.75	102½GT	98	4.8	4.8
Central Pacific Guar. 5s, 1960 (a)	....	2.25	105GT	103	4.9	4.8
Southern Railway Dev. & Gen. 6s, 1956	133.8	2.48	....	116	5.1	4.9
Great Northern Gen. A 7s, 1936 (b)	130.8	2.36	....	110	6.3	4.9
Missouri Pacific 1st & Ref. 5s, 1977 (a)	125.2	1.28	105A	99	5.0	5.0
Rock Island-Frisco Terminal 1st 4½s, 1957 (d)	....	X	102½T	88	4.9	5.0
N. Y. Chic. & St. L. Ref. 5½s, 1974 (a)	59.6	2.12	105	107	5.1	5.1
Central of Georgia Ref. 5½s, 1959	31.1	1.56	105AG	104	5.2	5.2
Western Pacific 1st 5s, 1946 (b)	....	1.27	100	98	5.1	5.2
Chic. & W. Indiana 1st Ref. 5½s, 1962	49.9	1.50	105	104	5.3	5.2
Wabash Ref. & Gen. 5½s, 1975 (a)	62.4	1.75	105AG	104	5.2	5.2
Nor'n Pacific Ref. & Impr. 6s 2047 (a)	166.7	2.43	110G	112	5.3	5.3
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 (b)	13.9	X	107½T	107	5.6	5.4
Balt. & Ohio Ref. & Gen. 6s, 1995 (a)	284.2	2.05	107½AG	109	5.5	5.5
Minn., St. Paul & S. S. M. 1st 4s, 1938	....	1.59	.....	89	4.5	5.7
Cuba R. R. 1st 5s, 1952	....	2.78	....	80	6.2	6.7
Public Utilities						
Pacific Gas & Elec. Gen. Ref. 5s, 1942	34.36	1.92	105T	101	4.9	4.8
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.62	....	100	5.0	4.8
Consol. Gas of N. Y. Deb. 5½s, 1945 (a)	....	5.40	106T	106	5.2	5.0
Columbia Gas & Elec. Deb. 5s, 1952	....	5.15	105T	100	5.0	5.0
Montana Power Deb. 5s, 1962 (a)	3.47	2.67	105T	100	5.0	5.0
Detroit Edison 1st & Ref. 6s, 1940 (b)	14.0	3.27	107½T	107	5.6	5.2
Utah Power & Light 1st 5s, 1944	....	2.90	105	98	5.1	5.2
Hudson & Manh'n 1st Ref. 5s, 1957 (b)	5.9	2.63	105	95	5.2	5.3
Postal Tel. & Cable Co. Tr. 5s, 1953	0.6	1.99	105	94	5.3	5.5
Amer. W. Wks. & El. Deb. 6s, 1975 (a)	12.7	1.43	110	106	5.6	5.6
Northern Ohio Tr. & Lt, Genl. & Ref. 6s, 1947 "A" (a)	8.4	2.20	110	100	6.0	6.0
Seattle Electric—Seattle Everett 1st 5s, 1939 (d)	....	2.01	105	89	5.4	6.1
Phil. Rap. Trans. 6s, 1962 (c)	10.0	1.31	105	90	6.6	6.7
Industrials						
Youngstown Sh. & Tube 1st 5s, 1978 (a)	....	3.74	105T	101	4.9	4.9
Gulf Oil Deb. 5s, 1947 (c)	....	4.59	104AT	101	4.9	4.9
Allis Chalmers Deb. 5s, 1937 (a)	....	4.61	103T	100	5.0	4.9
International Match Deb. 5s, 1947 (a)	....	57.03	103T	97	5.1	5.2
National Dairy Prod. Deb. 5¼s, '48 (a)	3.10	6.99	102⅓	98	5.3	5.3
Amer. Cyanamid Deb. 5s, 1942	....	9.52	100	96	5.2	5.4
Chile Copper Deb. 5s, 1947 (a)	....	5.69	102T	95	5.2	5.4
Sinclair Pipe Line 5s, 1942 (a)	....	3.68	103	95	5.2	5.5
B. F. Goodrich 1st 6½s, 1947 (a)	....	2.61	107A	106	6.1	5.9
U. S. Rubber 1st & Ref. 5s, 1947 (b)	2.6	1.70	105A	86	5.8	6.4
Short Terms						
Humble Oil & Ref. Deb. 5½s, '32 (b)	....	3.05	102½A	102	5.4	4.6
N. Y., Chic. & St. Louis 2nd & Impr. 6s, May 1, 1931 (a)	17.3	2.12	102	101⅛	5.9	5.0
Amer. Cotton Oil 5s, May 1, 1931	....	19.32	105	99⅝	5.0	5.3
Convertible Bonds						
Atch., Top. & S. F. Deb. 4½s, '48	Com.@106.6	5.51	102	136	3.3	..
Inter'l Tel. & Tel. Deb. 4½s, '39	Com.@66⅔	6.02	102½	119	3.8	..
N. Y., N. H. & Hart. 6s, '48	Com.@100	1.09	....	128	4.7	..
Chesapeake Corp. Col. Tr. 5s, '47	C&O@196	2.45	100	100¼	5.0	5.0
Amer. Inter'l Corp. Deb. 5½s, '49	Com.@80	2.34	105	94	5.8	6.0

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100.

A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. F—Not callable until June 1, 1935.

LIGGETT & MYERS TOBACCO

Steadily Mounting Cigarette Sales Contribute to Strength of Giant Tobacco Manufacturer

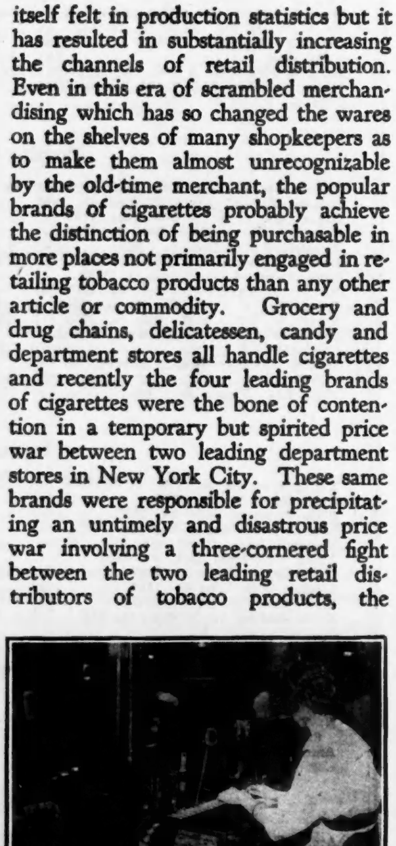
Enviable Financial Position and Earnings Record

By Mortimer A. Jurgens

INDUSTRY and finance created a host of new records last year, many of which will doubtlessly stand for some time to come—milestones in a period of unprecedented activity in this country—and one of the most impressive of these records was that established by the tobacco industry in the production of cigarettes. For the ninth consecutive year cigarette output reached a new high level, totalling 119,038,841,560, or nearly 1,000 cigarettes per capita. The average increase amounted to over one billion cigarettes monthly and the net gain for the full year over 1928 was nearly 13%. According to the report of the Treasury Department, total internal revenue receipts from cigarette manufacturers in 1929 amounted to $357,205,753, an increase of nearly 40 million dollars over the previous year, and comprised about 80% of the total receipts from all tobacco manufacturers. Thus, the tobacco industry is second only to income taxes as a source of Government revenue.

Cigarette Manufacture

The lowly and once despised cigarette has been the life-blood of the tobacco industry, more than offsetting the tendency shown in the other branches where consumption has either fallen off or failed to register any material increase. The origin of the popular favor accorded cigarettes is found in their convenience and low cost, and in recent years consumption has been given a powerful impetus by the steadily growing ranks of women smokers. Not only has this latter manifestation made itself felt in production statistics but it has resulted in substantially increasing the channels of retail distribution. Even in this era of scrambled merchandising which has so changed the wares on the shelves of many shopkeepers as to make them almost unrecognizable by the old-time merchant, the popular brands of cigarettes probably achieve the distinction of being purchasable in more places not primarily engaged in retailing tobacco products than any other article or commodity. Grocery and drug chains, delicatessen, candy and department stores all handle cigarettes and recently the four leading brands of cigarettes were the bone of contention in a temporary but spirited price war between two leading department stores in New York City. These same brands were responsible for precipitating an untimely and disastrous price war involving a three-cornered fight between the two leading retail distributors of tobacco products, the largest grocery chain and the foremost operator of chain drug stores. The public and the cigarette manufacturers have been the beneficiaries while the participants have lost money on their cigarette business.



Cigarette Rolling Machine

The same factors which have motivated the demand for cigarettes have imparted an unusual degree of stability to their manufacture. Cigarette smoking is a habit inexpensively gratified and as a consequence the earnings of those companies producing the most popular brands have been practically immune from the effects of business depression in other industries. This is a salient feature which may well be emphasized with relation to the investment qualities of representative tobacco company securities.

Concentration

In spite of the prodigious growth in the consumption of cigarettes, their manufacture is almost entirely concentrated in four companies which, according to some estimates, account for as much as 90% of the total cigarette sales in this country. This unusual example of industrial compactness has been developed largely by the success of these four particular companies in early capitalizing the demand for a short and convenient smoke, which was accelerated by the war. Huge sums have been spent by these companies for advertising and the rapid increase in the number of women smokers has been largely due to the psychological effects of advertising campaigns designed to make cigarette smoking a fashionable gesture.

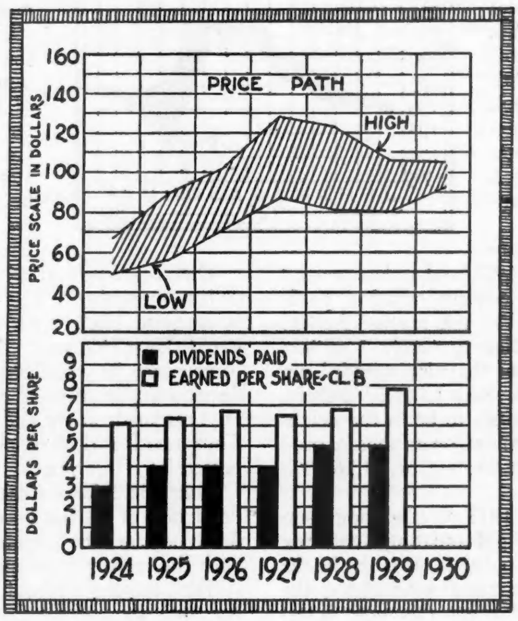
The subject of this analysis, the Ligget & Myers Tobacco Co., occupies a prominent position in the tobacco industry and is one of the "Big Four" producers of popular-priced cigarettes. The company was organized in 1911, shortly after the dissolution of the old American Tobacco Co. by court order, and since its inception has been one of the most active units in practically every phase of the industry. Its three brands of cigarettes — Chesterfield, Piedmont and Fatima—are among the six leading brands in the country and while Chesterfields undoubtedly yield the largest returns the combined sales of the other two brands also make important contributions to earnings. In addition to cigarettes, the company also produces various other tobacco products including Velvet, Duke's Mixture and Granger Rough Cut smoking tobaccos, Star plug tobacco and Recruit little cigars. The importance of these products, although secondary to cigarettes, is not to be overlooked for they provide a desirable backlog of diversification and doubtlessly justify their inclusion in the company's output.

Healthy Competition

The development of the market for low priced cigarettes of domestic blend to the practical exclusion of other types has been accompanied by competition of the most intensive sort. With one exception, however, competition has been ethical and devoid of undermining tactics. The exception occurred in 1928 when wholesale prices of four popular brands were reduced. This reduction, however, was comparatively short lived and the former price of $6.40 per thousand was restored last October. In spite of the fact that the latter move did not materialize until late in the year, Liggett & Myers issued one of the most satisfactory earnings and financial statements in its history.

Net earnings made a new peak and 1929 was the sixth successive year in which results overshadowed those of the previous year. Contrasting with a gain of only 6.2% in 1927 and 3.5% in 1928, profits last year were 13.4% higher. These comparisons afford convincing evidence of the extent of the company's progress and high operating efficiency in a year which could hardly be said to have been replete with favorable conditions.

Coincident with the annual report, the company offered stockholders the right to subscribe for additional class B common stock at $25 per share in the ratio of one new share for each five shares of common or class B common stock held. This privilege expires March 12th, after which time the combined total of common and class B common stock outstanding will amount to 3,137,440 shares, contrasting with 2,614,238 shares outstanding at the close of the year. Reported earnings for 1929, amounting to $22,017,228, were equal to $7.83 per share on the amount of stock outstanding at the close of the year, and $6.51 per share on the increased number of shares after giving effect to the subscription privilege. It is to be assumed, however, that the funds amounting to about 13 million dollars raised through the sale of additional stock will be profitably employed by the company and current earnings enhanced accordingly.



Conservative Dividends

During the past ten years, the company has earned nearly 142 million dollars on the combined common and class B shares, of which, however, but slightly more than 50% was paid to stockholders in the form of cash dividends. If at first glance this appears to be a rather parsimonious ratio, the conservatism of the management is, however, justified by the conditions which have confronted the company during that period. Steadily increasing business has made it necessary to maintain a large working capital, comprised chiefly of inventories, while intense competition has created the need of large annual budgets for advertising.

The strong financial position of the company as revealed by the 1929 balance sheet is typical of its record and warrants no small measure of confidence. Working capital exceeded $126,794,000 and showed an increase of more than 7 million dollars over that for December 31st, 1928. Inventories, which comprised over 80% of total working capital were $10,230,000 higher than at the close of 1928 but cash was $3,162,093 less, and bank loans increased 2 million dollars to 7 million dollars. The large increase in inventories may be explained by the desire of the management to anticipate increased business in the current year. It is also possible that the management foresees higher prices for leaf tobacco. The depleted cash account will be reinforced as a result of the sale of additional stock and the larger bank loans, necessitated by the purchase of an increased quantity of raw materials, will probably be substantially reduced during the course of the year.

Capitalization

Aside from the common and Class B common shares outstanding, capitalization of the company consists of 225,141 shares of 7% preferred stock, $13,371,600 7% Gold Bonds due October 1st, 1944, and $15,059,600 5% Gold Bonds maturing August 1st, 1951. Total interest charges amounting to $1,686,892 were earned over 13 times last year and income available for dividends on the preferred stock was equivalent to $86.50 per share. Both the bonds and the preferred shares readily qualify as high grade investment media. The 7% bonds are obtainable to yield about 5.13% to maturity; the 5% issue is currently quoted on a 5% basis; and the preferred stock which is non-callable yields slightly over 5%.

As previously pointed out the former wholesale price of $6.40 per thousand for the company's more important brands, which ordinarily retail for 15 cents a packet, was restored last October and there is no reason for believing that this price will be subject to any downward revision this year. In fact there has been some talk of a further increase in this price for the purpose of curbing retail price wars but in all probability no action along these lines will occur unless subsequent prices for leaf tobacco make such action imperative. The brief nature of the com-

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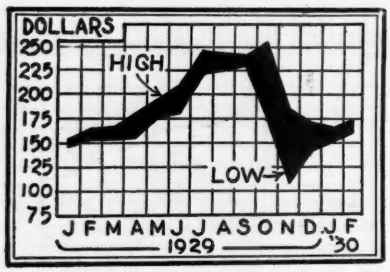
Profit Possibilities in Stocks Yielding More Than 5%

The securities selected in this list are of a type which affords ample indication of price appreciation on the basis of their industrial position and at the same time offers an attractive yield at current levels. The list as a whole provides a high degree of diversity and it will be found advantageous to distribute funds over the entire group.

International Business Machines Corp.

OPERATIONS of the International Business Machines Corp. for last year indicate that the company again produced record-breaking earnings, being the eighth successive year in which a new high level has been attained. It is expected that the 1929 annual statement will show more than $11 a share on the 607,576 shares outstanding.



The earning power of the company has been steadily expanding since 1921 and unless general business conditions are distinctly adverse, another profit peak should be made this year. The net income for the first nine months of 1929, amounting to nearly 5 million or $8.09 a share was 28% ahead of the nine months' net of the previous year which was equivalent to $6.33 a share. Net for the full year of 1929 promises to be in the neighborhood of $6,750,000, since maximum operations carried through December. The 1928 net income of $5,363,000 was equal to $8.83 a share.

The corporation was formed in 1911 as a holding company, then known as the Computing-Tabulating-Recording Co., but assumed its present name in 1924. It is the leader in its field by reason of its three chief subsidiaries, the Dayton Scale Co., Tabulating Machine Co. and International Time Recording Co., each one a leader in its line.

The corporation's diversified range of products includes such widely used office and store devices as tabulating, time and cost-keeping machines, counter scales, meat and coffee grinders, and slicing apparatus. Its plants are located in New York, Ohio and the District of Columbia, in Canada, Germany and France while its sales offices cover besides these countries, virtually all other important business centers. South America and Europe are expected to be particularly favorable for sales development in the next few years.

The financial position of the company is strong and is being steadily improved under the management's policy of turning a substantial portion of its surplus cash to the reduction of its funded indebtedness. With the recent setting aside of $250,000 for further retirement of its Computing-Tabulating-Recording Co. 30-year sinking fund 6s due in 1941, this sole funded obligation will have been reduced below 3 million from 7 million, last year's retirement having totaled 2 million.

The company had $4,000,000 in cash at the beginning of last November as against $2,388,000 at the end of 1928. It is quite likely that the funded debt will be further pared down this year. It is the policy of the company to compensate its stockholders for such cash withdrawals by distributing small stock dividends, a 5% disbursement having been made at the end of 1928 and on January 10th last. Thus another declaration of similar amount may be expected later this year.

Since the 3-for-1 stock split-up in 1926 the annual dividend rate of $3 has been advanced on the average of one dollar a year, the present $6 basis having been established with the quarterly payment of $1.50 last January 10th.

The company's consolidated statement as of last September 30th showed total assets of nearly 40 million, earned surplus of more than 13 million and net working capital in excess of 8 million.

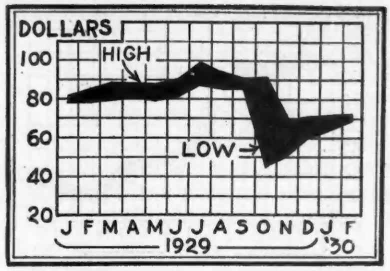
The no par capital stock has recovered nearly half of the range between its low of 109 at the time of the November market break and its high of 255 for last year. The recent price around 175 affords a yield of nearly 8½% from the combined cash and stock dividends. Considering the expanding earning power, excellent financial position and favorable outlook of the company, the market price not only does not appear unreasonable but could mount to its 1929 high and still yield well above 7% with ample safety.

Canada Dry Ginger Ale, Inc.

PUTTING out more cases of ginger ale than any other manufacturer in the world, Canada Dry Ginger Ale, Inc., earned net of $3,586,128 last year. This figure is equal to $7.02 a share on the 510,697 no par capital shares outstanding and compares with $3,103,294 or $6.10 a share on the 508,858 shares outstanding at the close of 1928.

The company has more than doubled its net income in three years and has come not far from tripling the 1925 profits. The increase in 1929 net is particularly satisfactory

since sales in the final three months showed but a slight gain due to decreases in October and November. The drop of those two months, however, was more than offset by the substantial increase in December.



The December improvement was carried through this last January and the management is confident that sales and profits will show material gains this year. The company has changed its fiscal year to end September 30th, so it has already an initial gain to its credit and has furthermore demonstrated that a business depression has comparatively slight effect. Its profits in the December 30th quarter increased $51,708 although the sales gain was but $4,463.

While the company has enjoyed an expanding business in its chief product, many competitors have come into the field, and it has been reaching out for a more varied production. The latest product, "Orange Dry," is expected to add substantially to sales. Through its subsidiaries, including the operating unit of the same name, a Canadian and a New England company, mineral waters and various soft drinks are now made.

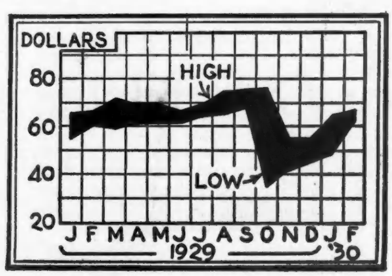
The company holds an option to purchase the Campfire Corp., makers of "Campfire" marshmallows, for $3,500,000 and is already selling their product. The president has admitted that while no formal offer has been made, conferences have been held with executives of the White Rock Mineral Springs Co., leading to possible acquisition of that concern. He has further stated that capacity of the company's factories is to be enlarged and that sales and advertising efforts are to be intensified this year.

The financial position of the company is the strongest in its history, net working capital of $3,660,537 being reported as of September 30th last. Current assets of $5,196,094 were nearly 3½ times current liabilities. Surplus of close to $4,000,000 had gained nearly 25% in a year. The company has no funded debt.

In accordance with previous practice, the regular $5 dividend rate is likely to be advanced later this year if profits increase, while an extra cash payment of 50 cents may be repeated, having been paid last year and in 1927. On this basis the recent price around 73 gives a yield of 7½% and is but little more than ten times earnings, thus offering a decidedly attractive purchase for investment purposes with income and market price enhancement in prospect.

Paramount Famous Lasky Corp.

THE popularity of audible films brought attendance up to 15,000,000 a week in the 400 or so theatres of the Paramount Famous Lasky Corp. and was a substantial factor in boosting the 1929 net income to approximately $15,500,000. This official estimate is 78% ahead of the record 1928 figure and is equal to $5.75 a share on approximately 2,700,000 shares outstanding at the close of last year.



The final quarter of 1929, estimated to have produced $5,770,000 net income, constitutes the peak record for any quarter in the corporation's history and made the largest showing for any quarter reported by any film company in the annals of the amusement industry. The figure was equal to $2.15 a share and compared with the net of $2,737,318 or $1.33 a share on 2,062,857 shares outstanding at the end of the fourth 1928 quarter. The year's net for 1928 amounted to $8,713,063, equal to $4.22 a share.

The corporation not only enlarged its distribution last year, due to the excellent quality of its productions, but introduced a general expansion in its theatre programs, brought about numerous revenue producing innovations and effected a number of operating economies.

The 1930 budget embraces the filming of about 65 feature pictures and 52 short subjects, at an aggregate cost of upwards of $19,500,000, an increase of $1,750,000 over last year. Inasmuch as the corporation's foreign business contributed about 40% of the total 1929 receipts, it is planning to produce foreign versions of its films in order to maintain the popularity of the American films abroad.

Earnings so far this year are said to be running ahead of last year's showing.

It was on the strength of the continued favorable prospect that the management last month raised the annual dividend rate from $3 to $4 a share starting with the regular quarterly payment of $1 on March 29th to stockholders of record March 7th. This rate is equivalent to $9 on the old stock prior to the 3-for-1 split-up last August. An increase in the authorization from the present 3,000,000 no par shares to 4,000,000 and changing the name to Paramount Publix Corp. will be proposed at the annual meeting on April 15th.

The corporation's funded debt stands at $14,323,000, in addition to which there are $7,294,100 serial notes and $41,607,800 subsidiary purchase money notes, mortgage bonds, etc. A half interest in the Columbia Broadcasting Radio System was acquired last year and a $3,000,000 purchase of debentures of an affiliate of the United Artists organization assured close contact with that source of talking pictures.

Excellent earnings prospect and further expansion promise a steadily advancing enhancement of the value of the stock, which at the present price around 69 affords a yield of approximately 5.8%.

Jewel Tea Co., Inc.

OCCASIONALLY a drop in commodity prices reacts favorably. This fortunate outcome has just been experienced by the Jewel Tea Co., Inc., whose sales are more than two-thirds comprised of coffee.

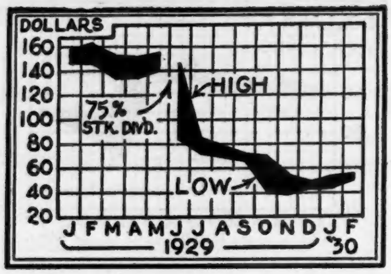
Recently the price of green coffee dropped to its lowest level in many years. The company, however, had kept its stocks at very low volume and so it was in a most favorable position to take full advantage of the buying opportu-

nity. Moreover, the retail price of coffee was only slightly depressed. Thus, Jewel Tea's profit margins gained substantially.

The company, while a prominent coffee roaster, has a large retail distributing system, carrying its products direct to the consumer over about 1,200 routes on which it operates motor trucks, giving rise to their classification as a "chain store on wheels." Radiating from two large manufacturing plants at Hoboken, N. J. and Chicago and numerous branches, most of the United States except New England and the Pacific Northwest, is thus pretty well covered. And now the company is experimenting with merchandising through retail stores in southern New England.

While many of the grocery and food products, as well as package specialties that the company distributes are put up in its own factories, many others are manufactured according to its specifications under the Jewel label.

One of the outstanding accomplishments of the management is the pronounced improvement in profit margins, jumping from 1½% in 1922 to nearly 9½% last year. Sales per truck are steadily gaining while unit operating costs are being lowered. This success has led to a contract to provide executive management for the Club Aluminum Utensil Co. for three years, for which out-of-pocket expenditures of the company will be covered while it will share in the profits and assume no responsibilities.



The company earned net of $1,691,302, equal to $6.04 a share on 280,000 shares of no par capital stock last year, compared with $1,530,888, equal to $11.10 a share on 120,000 shares of common after dividends on 7% preferred stock in 1928. A little less than a year ago, 25,600 shares of the preferred stock then outstanding were retired by using part of the proceeds from the sale of 40,000 shares of common. A 75% stock dividend was distributed last June.

The enterprise originated in a co-partnership with a capital of about $700 a little over 31 years ago. The present company was incorporated in 1916. The 1929 report showed total sales of nearly 17 million, net working capital of $3,226,154, cash and marketable securities totaling $2,638,114, of which $590,547 constituted the remaining building fund for completion of the midwestern headquarters and plant to be in operation next month, and a 3.7 to 1 ratio of current assets to current liabilities.

While the regular dividend rate on the common stock, now the sole obligation of the company, is now $3 a share, an extra payment of $1 was made last year on the increased amount outstanding. On that basis the recent price of 52 affords a yield of 7.7% and is not much more than 8 times earnings. Representing an equity in an established and successful enterprise, and combining a liberal yield with prospects for price appreciation, the shares are obviously attractive.

Texas Gulf Sulphur Co.

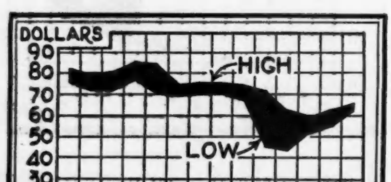
BEING much the larger producer and controlling the greater portion of the known world's deposits of sulphur, has placed the Texas Gulf Sulphur Co. in the enviable position of being the dominant factor in its field. It controls, with its much smaller competitor, most of the sulphur supply in this country and operates at the lowest cost.

The company is now bringing to a mature production status its second major sulphur mining operation, Boling Dome, leased from Gulf Oil and Sun Oil. Its original property in Matagorda County, Texas, continues under operation. More recently drilling operations were started on a third sulphur property at Long Point in the same state.

Under the general classification of bleaching compounds and miscellaneous chemicals, the company's products find a varied market among the textile, food, chemical, fertilizer, insecticide, pharmaceutical, rubber, pulp and paper, explosive and petroleum industries.

While last year was a record one in point of production and shipments, to foreign as well as domestic consumers, and may prove to be the peak for the sulphur industry, the year 1930 is expected to be a normal one. Because of the annual expansion of the industry, the normal sales volume, however, has attained a higher level so that the next few years may see a production of about 2,300,000 tons in place of the 2,000,000 average in recent years.

In the properties now controlled by the company it has an assured supply for half a century, based on an average annual production of about one million tons. In developing the Boling Dome, a large modern plant has been erected involving an outlay of $10,000,000. The profits from this



undertaking will go to the company in their entirety until that expenditure has been replaced in the company's treasury; thereafter they will be divided equally with the Gulf Oil Company.

In two counties the company's holdings were recently appraised at more than double their previous valuation, thus raising the tax burden somewhat, but on the basis of rating one-third of the estimated value as fair for taxation purposes, their full value is indicated at around $78,000,000.

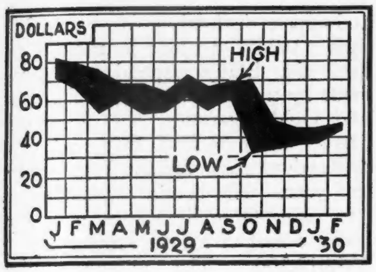
The 1929 annual report discloses a remarkably strong financial position. The net income of $16,247,478, equal to $6.39 a share on 2,540,000 shares of no par capital stock outstanding, compares with $14,517,619, or $5.71 a share in 1928. The cash item of $5,713,141, compares with $4,413,960. The surplus figure, which includes the depletion reserves, advanced from $15,301,082 to $21,388,560.

The company draws partially upon these depletion reserves to meet its dividends which have been paid continuously since 1921, three years after the present name was adopted and 12 years from the original formation. The current rate of $4 annually is equal to $16 on the old stock which was split 4-for-1 in 1926 when the $10 par was changed to no par. There is no funded debt.

The shares, currently selling around 63, yield about 6.3%, on which basis holders are adequately compensated for the recognized risks inherent in a mining enterprise. The company's leading position and the importance of its product suggests the likelihood of continued expansion of earning power and as a speculative vehicle the stock lends itself to favorable consideration.

Gold Dust Corporation

NATIONALLY advertised, trade marked specialties form the backbone of the Gold Dust Corp. The original company, incorporated in 1923 as successor to the soap and washing powder business of the N. K. Fairbank Co., fell heir to "Gold Dust" and "Fairy Soap." A little over a year ago it merged with the American Linseed Co. to secure the latter's line of food products, the linseed business hav-



ing been sold a couple of months before. Last year it acquired control of the Standard Milling Co., further diversifying its wide range of production.

Now, with the various factories of its dozen or so subsidiaries strategically located in this country and Canada, Gold Dust turns out such other well known branded articles as "Shinola" and "2-in-1" shoe polishes, "Thousand Island" dressing, "Bread and Butter" pickles, margarine, relish and peanut butter spread and "H-O" flour and breakfast foods. These are handled through an efficient distributing system covering some 500 cities.

An important affiliation was consummated last September when the company purchased from the United Cigar Stores Co. its holding of 46,000 shares of Beech-Nut Packing Co. common stock. While this did not alter the controlling management of the latter and did not involve merger plans it placed Gold Dust in position for such a move as well as for further expansion of its sales. Last December this block of stock was increased to 48,300 shares by a 5% stock dividend by Beech-Nut, whose earnings for 1929 were equal to $6.06 per share. Leading interests in Gold Dust took over personal control of United Stores late last year.

The company has funded debt, consisting of assumed obligations, of slightly over 15 million. The capital structive includes 64,880 shares of $6 cumulative convertible preferred stock and 1,780,927 shares of common outstanding, the latter to be 1,993,081 shares

(Please turn to page 818)

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1926	1927	1928	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	160.35	133.40	133.73	No	85	4.7
Union Pacific	4 (N)	41.17	39.35	46.32	No	83	4.8
Atchison, Top. & S. Fe	5 (N)	48.83	40.47	40.21	No	103	4.9
Baltimore & Ohio	4 (N)	48.41	36.44	49.44	No	80	5.0
Southern Railway	5 (N)	39.33	36.17	32.11	100	99	5.1
Pere Marquette Prior	5 (C)	68.77	64.08	75.60	100	98	5.1
Colorado & Southern 1st	4 (N)	52.56	57.76	49.45	No	75	5.3
N. Y., Chicago & St. Louis	6 (C)	24.65	20.31	17.68	110	109	5.5
N. Y., New Haven & Hart	7 (C)	....	22.05	34.40	115	127	5.5
St. Louis Southwestern	5 (N)	12.60	9.30	8.84	No	88	5.7
Wabash "A"	5 (N)	11.86	6.87	9.24	110	85	5.9
Kansas City Southern	4 (N)	10.86	9.04	14.01	No	68	5.9
Colorado & Southern 2nd	4 (N)	48.50	53.76	45.46	No	68	5.9
**St. Louis, San Francisco	6 (N)	16.12	15.28	17.44	115	94	6.4
Missouri, Kans. & Tex	7 (C)	....	13.06	16.34	110	106	6.6

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1926	1927	1928	Redeemable	Recent Price	Yield %
Public Service of New Jersey	8 (C)	§21.46	§16.28	20.92	No	153	5.2
Columbia Gas & Electric "A"	6 (C)	27.81	25.42	30.78	110	105	5.7
Philadelphia Co.	3 (C)	24.20	28.06	21.75	No	53	5.7
American Water Works & El.	6 (C)	22.63	24.30	31.05	110	102	5.9
Standard Gas & Electric	4 (C)	20.00	16.76	14.07	No	65	6.2
Federal Light & Traction	6 (C)	41.52	39.67	49.93	100	95	6.3
Electric Power & Light	7 (C)	13.83	16.21	17.00	110	109	6.4
Hudson & Man. R. R. Conv.	5 (N)	40.32	40.70	37.02	No	77	6.5
Continental Gas & Elec. Prior	7 (C)	16.41	20.46	24.45	110	103	6.7
Postal Tel. & Cable	7 (N)	....	....	7.19	110	100	7.0
Amer. & Foreign Pow. 2nd	7 (C)	8.59	3.53	5.33	105	98	7.1

Industrials

	Div. Rate $ per Share	Earned $ per Share 1926	1927	1928	Redeemable	Recent Price	Yield %
Bethlehem Steel Corp	7 (C)	20.84	16.32	19.16	No	126	5.6
Deere & Co.	7 (C)	23.22	25.74	29.52	No	123	5.7
Case (J. I.) Thresh. Mach	7 (C)	29.39	38.48	32.59	No	122	5.7
Mathieson Alkali Works	7 (C)	67.86	74.06	84.50	No	120	5.8
Stand. Brands, Inc., Cum. A.	7	....	125.24*	123.40*	120	119	5.9
Baldwin Locomotive	7 (C)	29.42	12.21	1.66	125	116	6.0
Brown Shoe	7 (C)	29.69	44.12	85.27	120	115	6.1
General Cigar	7 (C)	51.26	67.32	62.81	No	116	6.1
Crucible Steel	7 (C)	26.19	22.47	22.54	No	114	6.1
American Locomotive	7 (C)	20.88	16.60	10.83	No	115	6.1
International Silver	7 (C)	24.39	30.82	27.48	No	110	6.4
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	109	6.4
Bucyrus-Erie	7 (C)	....	....	39.34	120	111	6.4
U. S. Smelting, Ref. Mining.	3.5 (C)	6.25	6.28	8.43	No	53	6.6
American Sugar	7 (C)	14.08	7.97	14.60	No	106	6.6
General Cable Co	7 (C)	27.69	25.72	25.92	110	106	6.6
Associated Dry Goods 1st	6 (C)	27.67	24.10	24.55	No	90	6.7
Glidden Co. Prior	7 (C)	23.91	32.69	32.69	105	102	6.9
Bush Terminal Debentures	7 (C)	16.81	18.88	20.55	115	102	6.9
Goodrich (B. F.) Co	7 (C)	13.96	39.19	10.36	125	100	7.0
Radio Corp. of Amer. "B"	5 (C)	....	....	5.36*	100	71	7.0
Commerce Investm. Trust 1st.	6½ (C)	27.72	24.36	45.50	110	93	7.0
Goodyear Tire & Rubber	7 (C)	11.83	18.80	18.90	110	100	7.0
Spicer Mfg. conv	3	58.54	74.42	26.00	57½	42	7.1
Otis Steel Prior	7 (C)	16.36	11.80	28.68	110	95	7.4
Tidewater Asso. Oil conv	6 (C)	13.35	7.35	19.49	105	78	7.7
International Paper	7 (C)	11.31	7.42	4.53	116	81	8.6

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. ** Adjusted to basis of present stock.

* Six months ended June 30, 1929.

Market Indicators

For Profit

New York Central

The possibility of an increase in the current $8 dividend on New York Central has something more than the wish to justify it. Earnings of the road in 1929 were $16.88 per share, indicating better than 50% margin of safety for the present rate. The Big Four and Michigan Central are now being operated under lease and earnings will revert directly to New York Central's treasury. Income previously received was in the form of dividends only. The shares rank high in investment esteem and as a potential $10 dividend payer yield over 5.5% at recent quotations around 180, which compare with the 1929 high and low of 256½ and 160 respectively.

* * *

Another Big Merger?

According to recent press reports, Cyrus S. Eaton and his associates, who it will be recalled were the moving forces behind the Republic-Central Alloy-Donner Steel merger, are engineering a huge consolidation of rubber companies, of which Goodyear Tire & Rubber will be the nucleus. Other companies mentioned were U. S. Rubber and Seiberling. Goodyear's report of 1929 operations revealed the largest earnings in its history, net income amounting to $10.24 per share. This is an impressive showing for a company which less than ten years ago barely escaped receivership. The grouping of the three companies mentioned would result in a single organization having assets of nearly $575,000,000, and by far the most important in the industry.

* * *

General Railway Signal

In the light of the fact that the General Railway Signal Company earned only 76 cents per share on its common stock in the first quarter of 1929, the final report showing the equivalent of $8.25 earned on the common, is very gratifying. Equally impressive is the fact that the company entered the current year with a volume of unfilled orders on its books, 99% larger than at the beginning of 1929. Obviously, a recession in earnings is not a nearby prospect. Paying $5 and selling below 95 the shares would hardly be said to be overvalued.

* * *

An Unusual Preferred Stock

Warner Bros. Pictures, Inc., $2.20 preferred stock is convertible into common stock at the rate of 88 shares of common for each 100 shares of preferred and after September 1st, 1930, when this conversion privilege expires, the dividend will be increased to $3.85. The stock is callable at 55. Earnings of Warner Bros. have shown remarkable gains reflecting the popularity of talking pictures, in which field the company was the pioneer and has since produced some of the most popular feature films. Earnings in the past fiscal year amounted to $6.33 on the common stock and are currently running at the annual rate of $8. While the uncertainty injected into the situation by the pending investigation of the Federal Government into the company's affairs, prevents the common shares from selling at levels more nearly in line with earnings, this phase of the situation may be ironed out prior to the expiration of the conversion privilege on the preferred stock. In the latter event, both the common and preferred issues would doubtless gain materially in market value. If the convertible feature, however, does not serve to enhance the value of preferred prior to September 1st, holders will be compensated by the increased dividend, which on the basis of recent quotations around 56 would afford better than a 7% return.

* * *

A Business Man's Bond

P. Lorillard Co. debenture 5s, 1951, selling around 85, yield about 6½% and appear distinctly attractive in their class. While earnings continue to reflect the heavy expenditures being made by the company to popularize its Old Gold cigarettes, sales have registered an impressive gain and seem destined to show further improvement this year. The bonds, outstanding at less than 11 million, are unsecured and are part of a total funded debt of $35,012,200. The present market value of the common stock represents a junior equity for the bonds at more than 47 million and earnings are sufficent to meet total interest requirements by a safe margin. As an income-producing medium, the debenture 5s command favorable consideration and might prove a profitable switch for some of the more speculative foreign issues.

* * *

Tin Plate

Specializing in the manufacture of tin plate, the McKeesport Tin Plate Co. participated handsomely in the business prosperity of 1929. Earnings rose to $8 per share on the outstanding 300,000 shares of common stock and fully warranted the action of directors in paying an extra dividend of 50 cents, bringing total disbursements for the year up to $4.50. Incidentally the company has paid cash dividends continuously since 1905. The manufacture of tin plate is characterized by an unusual degree of price stability and demand has been broadened considerably by the adaption of tin containers for a steadily growing list of products. Selling near 70, the company's shares look attractive both on the basis of prospective earnings and current income return.

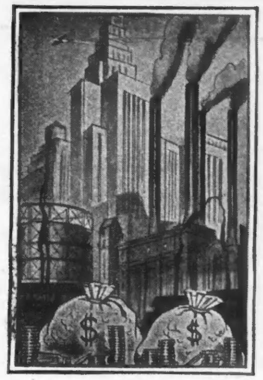
* * *

Sweetening Sales

F. G. Shattuck Co., operating a chain of 36 high grade restaurants and candy stores, increased sales $1,600,000

The Stockholder

and Income



in 1929, and added another year to its record of consistent growth. Completion of the unification of F. G. Shattuck and W. F. Schrafft & Sons has paved the way for instituting an aggressive expansion program and it is anticipated that the current year will witness not only a considerable increase in the number of restaurants in operation but the national distribution of Schrafft confections and foodstuffs. On the basis of 1929 earnings estimated at $2.70 per share, the stock is not particularly cheap at 43, yet the confidence in the company's future indicated by this high ratio of price to earnings is unquestionably well founded.

* * *

Looking Ahead

At the present time the Columbia Gas & Electric Co. is actively engaged in laying pipe lines to a number of important cities including New York, Chicago and Philadelphia with a view to ultimately serving these large population centers with natural gas. The company is the foremost distributor of natural gas in the country, deriving about 60% of its revenues from that source and 25% from the sale of electric power. It requires no unusual imaginative powers to visualize the company's future possibilities as represented by the growing demand for natural gas and it is undoubtedly these possibilities which have influenced the purchase of large blocks of the company's common stock by astute investors, despite the comparatively low yield obtainable.

* * *

Westinghouse Air Brake

The increasing use of roller bearings on railroad cars will benefit others than the manufacturers of this equipment. Decreased friction and greater mobility makes new and exacting demands on braking equipment and the producers of effective devices to give greater efficiency in controlling rolling stock should enjoy a broader market for their output. Westinghouse Air Brake, the leading company in that field and with a long record of profitable operations to its credit, should be closely watched in connection with this new development.

Another development that bids fair to have an important bearing on the future of the company is the recent formation of the Bendix Westinghouse Automotive Air Brake Co., control of which will be vested jointly with the Bendix Aviation Co., a General Motors affiliate, and Westinghouse Air Brake. This move doubtlessly presages the entry of these companies into the active manufacture of air brake equipment for passenger automobiles. That this field holds abundant possibilities is indicated by the fact that at the present time busses and heavy trucks are the only types of automobiles utilizing air brakes.

* * *

Third Largest Oil Concern

Pending a decision from the courts concerning the legality of the Standard of New York-Vacuum Oil merger, the shares of these companies do not appear to be inclined to indulge in any market antics. Test cases of this sort have a way of moving slowly through the halls of justice. It may be months before the legality of the deal is indicated one way or another. Quiet accumulation of stock will probably proceed in the meantime in anticipation of a favorable action. If consummated, this merger will create the third largest oil company in the world, with assets of close to a billion dollars and a prominent place in the world market place for petroleum products. The "when issued" shares of the new concern on the Curb —known as the General Petroleum Corporation—are taking their cue marketwise from Standard of New York which is exchangeable on a share for share basis, while Vacuum Oil shares which rate a three-for-one exchange have been lagging behind the market in spite of the better yield basis in prospect.

* * *

Banking Pool Liquidated

One uncertain factor has been removed from the market vista in the official statement issued by J. P. Morgan & Company that the banking consortium formed during the fall panic has liquidated the last of its stock holdings. The statement omitted to declare whether the banking group ceased to exist after its holdings were liquidated, but is known that no actual loss was incurred in the long run through the heroic action of these prominent banking houses. It is comforting to reflect that the concentrated resources of this group, which were sufficiently strong to avert a national financial disaster, is still intact for any emergency that might again demand their use. The final liquidation of this "stabilization stock" seems to mark the final chapter of the 1929 stock market debacle.

* * *

An Interesting Utility Situation

The 1929 report issued by Consolidated Gas must have proved encouraging for long pull investors in this company. Net income amounted to more than 65 million dollars, an increase from 59 million in the preceding year. This income amounts to $4.75 a share on the 11,457,000 shares of stock outstanding at the end of 1929. Coming on top of this favorable report is the revival of rumors of the absorption by Consolidated Gas of Brooklyn Union Gas. Between the two companies, Consolidated Gas warrants first choice from the investment standpoint but Brooklyn Union seems to have very attractive speculation prospects, with strong market sponsorship and a small floating supply of stock.

EDITORIAL PAGE

Building Your Future Income

An Informative Department On Estate Building

Savings Also Are Important

IN this issue we are devoting the major part of the BYFI Department to articles and comments on the controversial subject of the relative merits of stocks and bonds for investment. To some readers, these discussions may be merely "another investment topic" to be read with passing interest at the moment. However, from the comments and manuscripts already received it is obvious that the discussions to other readers are a matter of vital and sustained interest.

And to us, if we be permitted to offer a few confidences here and there, the interest in this controversy is a source of immense gratification. For a great many years, we have observed with keen satisfaction a slow but steady growth of popular interest in investment problems; a tendency that has accelerated in recent years for investors to take full advantage of the improving facilities for studying securities and markets.

With the extensive educational efforts that have been expended on financial matters within the past decade, it is interesting to note the improvement in technique and methods of the investing public at large. Within this period, the number of really competent investors has grown from a small hand picked group of wealthy capitalists to an army that is now numbered in millions. This is the background, therefore, of the current interest in such a prosaic but nevertheless so very practical a topic as the relative merits of the two major classes of investment securities.

Admirable as are these popular discussions of relative merits of investment securities, however, an equally important topic for the investor is the means of accumulating funds in order to invest. Whether a stock or a bond is the superior type of investment is interesting but this must not entirely divert our interest away from the importance of providing savings. While we are debating the fine points of investment securities, therefore, let us continue to keep up our savings programs so that we may have funds to buy securities.

Saving money is really a much more rugged science than investing money. In this broad problem of attaining real lasting financial progress there is nothing more important than the will to save and the deliberate cultivation of consistent thrift habits.

Buying the Right Kind of Insurance

Inquiries From Readers Who Seek the Best Insurance Values

By Florence Provost Clarendon

Insurance Editor:

I am outlining my circumstances in some detail in order that you may be able to advise me concerning the best kind of life insurance for my present and future needs. I am a dentist by profession, age 38 and single. I would like to have the kind of insurance that will provide a regular income after a certain age and also give my heirs the necessary protection in the event of a later marriage. In addition, I would like protection from disability that might deprive me of my earning ability. I have no insurance at present, having even lapsed my war risk insurance after discharge from the army. Perhaps it would also be well to tell you that I am entirely unfamiliar with life insurance and for this reason hesitate to inquire of insurance agents, feeling that in their quest for business many points of importance might remain obscure to me. If necessary to obtain full information, will you recommend some strong companies to me. Very truly yours —M. C. K.

I am interested in your recent letter and am happy to advise regarding your life insurance. You have omitted to state your approximate annual income—a factor which of course has a definite bearing on the amount, and also the kind, of protection which is best suited to your needs.

If you still have the privilege of applying for reinstatement as a policyholder of the War Risk Bureau of life insurance, I would advise that you take advantage of the opportunity, for this is cheap coverage for ex-service men.

As a professional man, you should consider life insurance under which premiums would normally be payable only over that span of life when you anticipate actively practising your profession. After such time, most doctors and dentists plan to live on the fruit of their earlier thrift, and naturally prefer to be free from premium payments on life policies during years of retirement.

You can obtain a policy on the "Endowment at Age 65" plan, which provides protection for a beneficiary over a long term of years, and in the happy event of the insured living on to the maturity date, he, himself, reaps the fruits of his earlier thrift, as the proceeds of the policy are then paid to him. In the event of his earlier death the insurance is of course paid to his beneficiary. You can get a $5,000 policy on this plan for an annual premium of less than $155. This would be on a non-participating basis. If the coverage is taken with a participating life institution, then the cost per annum would run from 20% to 25% higher in the initial premium, reducible thereafter by annual dividends.

Life insurance agents—like other business men—naturally want to sell their product, but representatives of well known "Old Line" institutions are as a class able men and capable of explaining their policy contracts in detail. If any "points of importance remain obscure" as you intimate might occur, either the agent or his Home Office will be more than willing to enlighten you further on such matters.

This department has preferred to refrain from offering preferential advice regarding well known and reputable "Old Line" life companies. You are in a vicinity where a number of such companies have general agencies. If you wish to obtain information from us on any one of them, we shall be glad to write you further.

Which Company?

Insurance Editor:—

Will you please advise me the best company and insurance for me to take in the two companies that I bring to your attention. First I want an insurance policy of $10,000 to pay into the company for about 20 years leaving the dividends and in case of sickness or being disabled the company to pay the premiums and then at my death after getting the policy I want it to be paid to my beneficiary in monthly payments and at her death any of said sum left to go to the children.

The agent for Company A made me the following rate for policy paid up at age 65; first premium $453.31 and each year thereafter to be less as to amount the money has earned.

The agent for Company B made me the following rate for policy ordinary life paid up in nineteen years first premium $429.10 and each year thereafter to be less as to amount the money has earned.

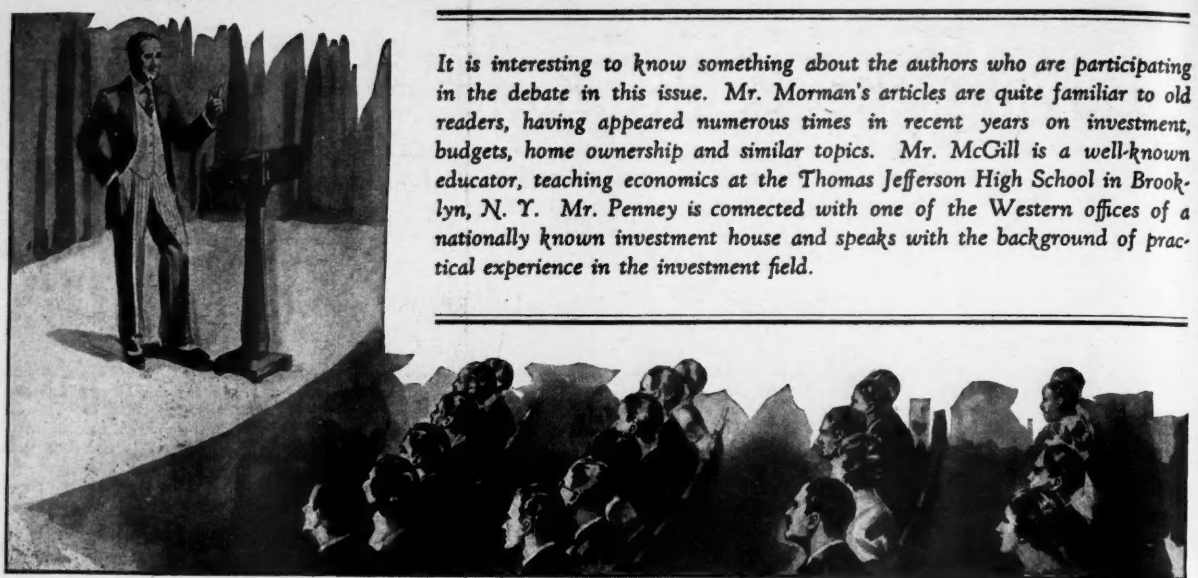
Now then my age is 39 years, my occupation is section signal supervisor and both agents are unable to find a rate in the books my rate not being listed. Have told both agents that I am going to take the best policy with the lowest rate for me to pay and in turn made application with each company on the arrival of the policy to take the one that I have to pay the least.

I am asking you with the above information which one of the companies do you think best for me to take out my policy with and any further information you may give me regarding insurance? Very truly yours—H. S. C.

There are two companies which bear a title similar to the first company to which you refer in your letter. Both however are well rated "Old Line" institutions, and I think your interests would be well protected in either. The other company you mention (Company B) is one of the largest life companies in the world, and enjoys an excellent reputation.

You cannot make a fair comparison of the policies offered by the two companies as each policy is on a different plan. Both are good contracts and either would doubtless meet your needs. One policy is apparently on the "Endowment at Age 65" plan, and the other on an Ordinary Life basis. You say that "both agents are unable to find a rate in the books"; but this may be due to the fact that your occupation calls for a special rating for which they

(*Please turn to page 810*)



It is interesting to know something about the authors who are participating in the debate in this issue. Mr. Morman's articles are quite familiar to old readers, having appeared numerous times in recent years on investment, budgets, home ownership and similar topics. Mr. McGill is a well-known educator, teaching economics at the Thomas Jefferson High School in Brooklyn, N. Y. Mr. Penney is connected with one of the Western offices of a nationally known investment house and speaks with the background of practical experience in the investment field.

Stocks vs. Bonds Debate Uncovers Helpful Investment Pointers

Many Readers Present Their Views

Ladies and Gentlemen, the meeting will now be called to order. The question under debate is—"Resolved, that Bonds have superior qualities for investment over Stocks." To bring new readers up to date on the debate, let us state that the affirmative was first presented by Stephen Valiant and the negative offered more recently by Thomas Hand, who suggested further discussion of this interesting investment topic. This suggestion, having been passed along to readers by the BYFI Editor, received immediate response. From the number of articles that discuss various angles of the "Stock versus Bond" controversy already received by us, we present three on this and the following pages that appealed to us as particularly interesting. Further discussion is invited, particularly of the personal experiences of readers with their own investments that might cast new and interesting angles on the subject thrown open for debate in these columns.

THE EDITOR.

"Personally I Agree with Mr. Valiant"

By JAMES B. MORMAN

TWO recent articles in the BYFI Department have brought forth for discussion a very important subject, namely, whether bonds are a better permanent investment than stocks. The editor has asked for ideas and experiences from the readers of THE MAGAZINE OF WALL STREET, and I herewith present my contribution to the subject.

In the issue of December 28th, 1929, page 383, Mr. Stephen Valiant discusses the topic—"What is the best time to buy bonds?" I have read that article over again, as I did at the time of its appearance and, if I can read straight, he presents his convictions that an investor in either bonds or stocks is more deeply concerned over the safety and income of his permanent investments than over their rise or fall in the stock market. The fundamental conception is the protection of principal and income. Where this result is paramount, rather than the making of profit by the sale of securities when the market is favorable, then "the trend of the bond market may be disregarded entirely."

Personally I thoroughly agree with this position. But in the issue of February 8th, 1930, page 628, Mr. Thomas Hand vigorously challenges the arguments of Mr. Valiant and discusses them under the theme of "Stocks versus Bonds."

Safety First

But this is not Mr. Valiant's topic at all. Uppermost in his mind was the problem of safety of investment or the protection of investors whether they invested in bonds or stocks or both. He makes a comparison of both types of security, pointing out in the case of a bond that the real strength and primary safeguard of one's investment is in the ability of a borrowing corporation to pay the interest

rate during the life of the loan and the principal thereof at maturity. With that he contends the trend of the bond market has nothing whatever to do. And he is right. Why? Because the fluctuations of bond market prices usually have no influence whatever on the earning capacity or financial stability of the bond-issuing corporation.

Mr. Valiant's views with reference to the safety of investments in stocks may best be stated in his own words as they are well worth repeating:

"In the case of a common stock investment, the same protection is not afforded in the indenture of the issue. There is no obligation on the part of the corporation of issue to pay any fixed amount of income, nor to repay the investment at any specific date. Consequently, when one buys a common stock for investment, the only protection for the principal of his funds is the ability to sell the shares of stock to some other investor. Whether this transaction can be arranged at a profit or a loss depends upon the prevailing quotations on the stock exchange. In other words, the trend of the market determines the marketability of a common stock investment. No future date can be anticipated when the corporation will repay the sum invested in its stock. Therefore, the common stock buyer can only protect the principal of his investment by successfully gauging the future trend of stock prices."

Protection the Controlling Principle

Let the reader note particularly how the idea of safety or protection dominates this entire paragraph which is characteristic of the spirit and purpose of the article throughout. Nowhere does Mr. Valiant make a general comparison of the superior merit of bonds as against stocks for an investment. It is Mr. Hand's article which raises that comparison and it is too broad to get us anywhere in a discussion. For bonds as well as stocks sold on the market are issued by some particular business concern. These may be compared on their merits. Then it will be found that some bonds are better as an investment for income than some stocks and vice versa. This will remain true as long as such securities are offered for sale, the final test of financial superiority being the amount of income or profit derived therefrom.

Anyone having surplus funds to invest has a large field of both bonds and stocks from which to make a choice. That decided, then one may choose to invest primarily for an income or primarily for profit. The purpose of the investment makes all the difference in the world.

I am inclined to think that Mr. Hand did not fully grasp the significance of Mr. Valiant's point of view. There is no doubt that a gain or a loss may occur from the purchase of bonds or stocks because there is always a certain element of risk attached to every form of investment. But that is not a question at issue. Mr. Valiant's contention was that a person investing in either bonds or stocks primarily for income was not concerned with the rise or fall on the stock exchange of the price of his bond or stock holdings because those fluctuations had no effect whatever on their yield of income so long as he retained his securities. It is wholly a question of investing for income and holding on to one's securities no matter what may take place on the stock exchange.

Take Mr. Hand's own case in comparison with my own in the matter of Liberty Bonds. Probably the element of patriotism entered into our purchases rather than from the

(*Please turn to page* 802)

The Bond Side of the Argument is Superior

But Bonds Alone Are Not the Investment for Any Thinking Man

By James V. McGill

THE recent article by Mr. Hand in The Magazine of Wall Street on the subject of the "Supremacy of Bond Investments" versus the "Common Stock Investments" piqued my curiosity. I read this article with a great deal of interest, and came to the conclusion that from the particular point of view of the writer, it was one of distinct merit. However, there is another point of view, and through the generosity of this magazine I have the opportunity to present it.

The particular point of view which I wish to stress is this: That whether or not a bond or a common stock is a good investment depends on many factors in any list of which the financial standing of the particular investor is one of considerable weight. It shall be my purpose in this brief article, to examine some of the underlying assumptions of Mr. Hand's article, and to submit to the readers another conception of what constitutes an ideal investment.

Looking Back

To answer Mr. Hand directly we might say that bonds were not the only safe investment in some dim dark age of the hoary past.

Let us take an actual investment of $500 made in the stock of the United Shoe Machinery Corporation in 1890. At present market prices of $65 per share our investment would amount to $25,000 exclusive of the extra cash dividends which helped in the purchase of a home.

However, the writer contends that bond investments in the long run can and do challenge the "common stock" enthusiast. Bonds and bonds alone are not the sole investment for any thinking man. Our contention, stated at the outset, is that in any controversy over stocks versus bonds, the bond side of the argument is superior.

Let us take some of the argument quoted by the "whole army of college professors." A text book for secondary schools cited the following comparison between stocks and bonds.

Stocks	*Bonds*
1. The owner is a partner in the Corporation.	1. Owner is a creditor.
2. The owner has a vote in the affairs of a corporation.	2. Owner has no voice in the management.
3. The owner receives dividends.	3. Owner receives interest.
4. Dividends depend on earning capacity.	4. Interest is fixed.

Let us take up the element of safety. The interest on

bonds must be paid. Dividends on stock, however, may or may not be paid, depending on the earning capacity as well as on the management of the corporation. Interest payments on bonds have been defaulted, but not frequently. On the other hand, scarcely a day goes by without a newspaper article describing the plight of some gullible individual, who had never heard of "blue sky laws" until he found his little nest egg appropriated by the high pressure salesmanship of some bucket shop.

The U. S. Steel Corporation has had remarkable progress and growth, a fact which Mr. Carnegie could have forecast. Carnegie took his profits, however, in the form of bonds ($200,000,000) I believe. He figured on the principle of "safety first" when other people were using his money. Kuhn, Loeb & Co. bought the entire issue of New York City bonds floated last May. Life insurance companies invest more money than any other group of business concerns, and their investments are confined to bonds and mortgages in New York State. The agitation to change the New York State insurance law, thus permitting insurance companies to purchase common stocks, has apparently passed into a state of "innocuous desuetude." The above instances of "bonds first" are legion.

Secondly: Like Mr. Hand, I was one of the million who bought Liberty Bonds at par. I went further. I bought some below par. One in particular was a Victory 4¾ at 96. This bond was redeemed a few months later and netted 7½% basing the return on the yield to maturity. "The fact that these prime investment issues came back is not beside the point," unless it is conceded that the recent upward climb of common stocks from the panic prices reached in November is also beside the point.

Thirdly: After coming back from France, I had to handle my mother's investments. I found that the lure of common stocks had swayed her rare good judgment. Some of the stocks purchased came back but Manati Sugar purchased at 113 is now quoted among the odd lot shares at prices ranging from 6 to 20, while Plant Pfd., after two reorganizations, is worth $15 or less a share.

From then on, while not slighting stocks entirely, 90% of her investments have been confined to bonds, 40% of which are in legal rails or utilities.

One argument not advanced by Mr. Hand is the so-called "Raskob idea" of buying purchasing power through the medium of common stocks. From 1896 to the present the secular trend of prices took the upward swing. For the future, however, the gold supply will not keep pace with the population or the volume of business, according to such well-known economists as W. C. Mitchell, Irving Fisher and Gustave Cassel. This simply adds another argument to the sponsors of fixed interest bearing securities. If lower money rates are due to stay (in the long run of course) the bond coupons though fixed in amount will be able to purchase more of the necessities and luxuries than they do at present.

The writer does not set himself up as a protagonist of bonds alone. Common stocks well selected and carefully, yes very carefully, watched, will pay in the long run. However for the ordinary investors, those with limited incomes, the safeguards both legal and practical make high grade bonds the preferred vehicle for the investment of surplus funds.

Both Stocks and Bonds are Desirable

A View Which Holds That Messrs. Hand and Valiant Are Both Right and Both Wrong in Their Contentions

By TRUMAN C. PENNEY

MAY I throw my hat in the ring of your controversy over the relative merits of Stocks vs. Bonds, as a champion for both classes of securities?

I have read with considerable interest the articles by Messrs. Valiant and Hand, and feel that these gentlemen are both right and both incorrect in their contentions. This seemingly anomalous statement can be explained by saying that they are right in their major premises, viz.; that both Bonds and Stocks are desirable mediums of investment, but wrong in stating that one or the other class is the preferable form.

In a period of rising money rates the bond holder suffers both from a market and income standpoint. As bonds, assuming that they are the obligations of perfectly sound and prosperous corporations and lack any convertible feature, tend to follow money rates from a market standpoint. In other words, a 5% bond in a 6% money market will sell, generally speaking, at a discount sufficient to bring the current return, or the yield to maturity, in line with the existing rates for money.

Then too, in periods of inflation with rising commodity prices, your bond holder finds himself with a fixed income, the purchasing power of which is probably considerably under that of the time at which his investment was made. A fixed income which normally may have been sufficient for his wants may prove to be entirely inadequate during a period when the purchasing power of the dollar is greatly diminished. One needs but point to the situation in Germany shortly after the war to establish the truth of this statement. Here it is then, that if high grade common stocks are also held, the investor finds himself rewarded with greater dividend returns on his stocks.

The converse of the above is also true in times of deflated currency or low money rates. Here it is that the common stockholder suffers through the probable decrease or recession of dividends and the bond holder comes into his own through having a fixed income with a materially higher purchasing power.

The above statements may sound slightly academic, but they have been proven true over a period of years. This being the case, why not follow a "Via Media" and include in your investment account both bonds and stocks, as each will serve as a balance wheel for the other? In a nation-wide discussion of this problem several years ago, the almost unanimous decision was that a carefully selected and well rounded investment account should contain both bonds and stocks, the bonds for greater security and fixed return, the stocks for possible appreciation, and as an offset

for inflated commodity prices and lower purchasing power.

My feeling is that it is impossible to state that either bonds or stocks are the ideal form of investment. It would be just as ridiculous to say that all men by the name of Jones should buy bonds and all the Smiths should be stockholders. Circumstances alter situations considerably, and this is particularly true of the building up of an investment account along sound lines, rather than on a hit or miss way of buying anything that is offered, or confining one's activities to a single class of securities. The purpose of, or reason for, such an investment account must be considered, whether or not it involves the investing for a widow, who is entirely dependent upon the income received from such an account, or for a business man, who is laying something aside for the future. The former would be better advised to have only high grade bonds and sound dividend paying stocks, while the latter may well include some non-dividend stocks in situations that hold considerable promise for the future, present income not being so essential.

Mr. Hand takes exception to Mr. Valiant's statement: "The bond buyer should have no real concern with the market value of his investment," and I agree with Mr. Hand. While security of principal and fixed return may be the primary consideration, market value enters into the scheme of things most decidedly, because who knows when some unusual, or unlooked for need of funds may necessitate the disposal of some of one's holdings?

At the same time, I believe that Mr. Hand has gloss over this same question of market in his brief for commo stocks. Needless to say, the same thing holds true here, and one needs only to point to cases in the recent market collapse where the pledging of bonds as collateral with both the banks and brokerage houses saved many individuals from utter ruin, with stock prices dropping so rapidly that sufficient collateral pledged in the morning was entirely inadequate by night. True, a strict adherence to the best principles of estate building does not allow of margin operations, but how many of us kept strictly to this creed during the past bull market?

Another point to be considered is that during the recent bull movement it was almost impossible to buy any high grade stocks, which carried a fair investment return, and to a person depending upon his or her investments for a living, this presented a real problem.

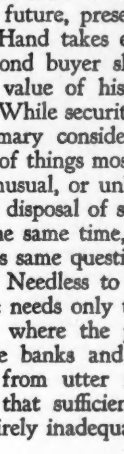
One often hears the remark: "The kind of investments that I make are those that I can lock up and forget." No policy can be more dangerous than this. I do not advocate such a close following of one's investment that temporary market conditions cause unnecessary worry, but I do feel with conditions in industry changing as rapidly as they do, and with the wealth of financial information and advice available as it is to anyone who can read, careful periodical check of one's investment holdings is both necessary and advisable. When good bonds can be purchsed at levels far and above the income derived from common stocks, lighten your stock holdings, and when the good stocks get back to an income basis that is satisfactory, consider exchanging some of your bonds, because I do not know of a time when both bonds and stocks were selling at unusually high levels.

Both Mr. Valiant and Mr. Hand present a convincing argument why bonds and stocks are suitable mediums for investment, so why not accept these gentlemen's statements without closing our eyes to the disadvantages and drawbacks contained in both types.

As matters stand at this stage of the debate, many effective points have been scored on both sides of the question. But there are others to be heard from, both from the standpoint of academic principles and personal experience with both kinds of securities. These articles will appear in subsequent issues.

THE EDITOR.

BYFI RECOMMENDS—



For Saving

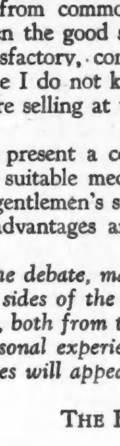
1. SAVINGS BANK. A convenient depository for the accumulation of regular or intermittent savings at compound interest. Funds are always available and may be withdrawn as soon as they reach suitable proportions for employment in more profitable mediums.

2. BUILDING AND LOAN shares serve as convenient, long range (10 to 12 years) mediums for the accumulation of savings. Through regular monthly payments this form of savings also possesses the element of gentle compulsion.

3. ENDOWMENT INSURANCE is a means of securing insurance protection and at the same time accumulating savings. Also possesses merit of regularity in savings but in view of small return, should not occupy too large a place in the accumulating program.

For Investment

	Security	Recent Price	Yield %
1.	Illinois Central 40-Year 4¾s, 1966	98	4.8
2.	Public Service Elec. & Gas 1st & Ref. 5s, 1965	103	4.8
3.	Standard Oil of N. Y. deb. 4½s, 1951	96	4.8
4.	Western Pacific 1st 5s, 1946	98	5.2
5.	Youngstown Sheet & Tube 1st SF. "A" 5s, 1978	101	4.9
6.	New York Steam 1st "A" 6s, 1947	106	5.4
7.	Chesapeake Corp. Conv. Coll. 5s, 1947	100	5.0
8.	Associated Dry Goods 1st 6% Pfd.	90	6.7
9.	Hudson & Manhattan Conv. 5% Pfd.	77	6.5
10.	Southern Pacific Common $6	123	4.8



The BYFI Recommendation Table is intended primarily to serve as a constant guide to inexperienced investors through the early stages of their income building program. On the left, the advantages of each of three principal mediums for accumulating regular savings are outlined. On the right, a progressive tabulation of investment securities suitable for the employment of sums accumulated through savings is presented. These issues, if purchased in the order listed are intended for a permanent investment, and as such, will ultimately provide a sound backing of income producing securities, affording safety of principal, fair return, and offering the protection of diversity.

Business Activity Irregular

Rate of Industrial Advance Is Moderated—Shifts Apparent in Retail Fields—Price Trends Mixed

STEEL

Steel Comes Back

WHILE steel operations seem to have assumed a virtually level plane for the time being with departures, if any, on the upward side, the aggregate recovery since the first of the year has been more extensive than even the optimistic had prophesied. Official estimates have placed January output at 71.51% of capacity as compared with 59.07% averaged in December and February totals are expected to be near 80%. Current rates are slightly above 80% and place production less than 20% below the record heights attained in May, 1929, and only slightly below output of February, 1928, which was a good, normal steel month.

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COMMODITIES*

(See footnote for Grades and Units of Measure)

	1930 High	1930 Low	1930 Last
Steel (1)	$34.00	$33.00	$33.00
Pig Iron (2)	18.50	18.50	18.50
Copper (3)	0.17⅞	0.17⅞	0.17⅞
Petroleum (4)	1.45	1.30	1.30
Coal (5)	1.65	1.50	1.57½
Cotton (6)	0.17½	0.15	0.15
Wheat (7)	1.40¼	1.28¼	1.30¼
Corn (8)	1.08⅝	1.00⅞	1.00⅞
Hogs (9)	0.10½	0.09½	0.10½
Steers (10)	16.50	14.50	14.50
Coffee (11)	0.10¼	0.09¼	0.10¼
Rubber (12)	0.16⅝	0.15⅝	0.16¼
Wool (13)	0.34	0.33	0.33
Tobacco (14)	0.14	0.14	0.14
Sugar (15)	0.03¾	0.03⅝	0.03¾
Sugar (16)	0.05½	0.05	0.05
Paper (17)	0.03⅛	0.03⅛	0.03⅛
Lumber (18)	20.03	19.91	20.01

* February 22, 1930.

(1) Bessemer billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per lb.; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, 100 lbs.; (11) Rio, No. 7, spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium, Burley, Kentuckey, c. per lb.; (15) Raw Cubas, 96° Fall Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Operations in the steel industry continue to trend upwards and while the rate of increase has been moderated somewhat, gains in production are following heavier volume of orders and the improvements to date have been kept on an economically sound basis. Prices have been comparatively steady for the past month and earnings, while probably less than last year, are not expected to be unsatisfactory.

METALS—Copper markets are fairly quiet at present. Volume, it is true, is necessarily larger than it was a month ago but consumers are begrudging purchasers and are showing no disposition to anticipate requirements. On the other hand, producers continue to retrench through curtailment and economies and the price deadlock gives indications of becoming a prolonged affair—a condition that will hardly redound favorably towards earnings of copper interests in the near term.

PETROLEUM—The petroleum situation has become further embroiled with the development of additional cuts in quotations for both crude and refined products and with expressed disagreement within the industry. Producing interests are blaming the too extensive operations of refiners for the current unfavorable position and refiners very properly point to the fact that distillery runs are not as excessive as crude output. Nevertheless, until production is actually curtailed, profit prospects will remain unpromising.

TIRES—The recent acquisition of the two leading tire manufacturing companies by important interests well known to industry for their previous, successful operations seems to point to a revamping of the tire field which may lead to the installation of more modern and efficient methods and, consequently, to more profitable operations than have obtained under the old highly competitive regime.

RETAIL TRADE—Contrary to previous expectations, sales of principal chain store systems increased approximately 9% in January over the same month last year. This gain, however, is thought to be due largely to more extensive distributing facilities and to the shift in public buying to less expensive fields.

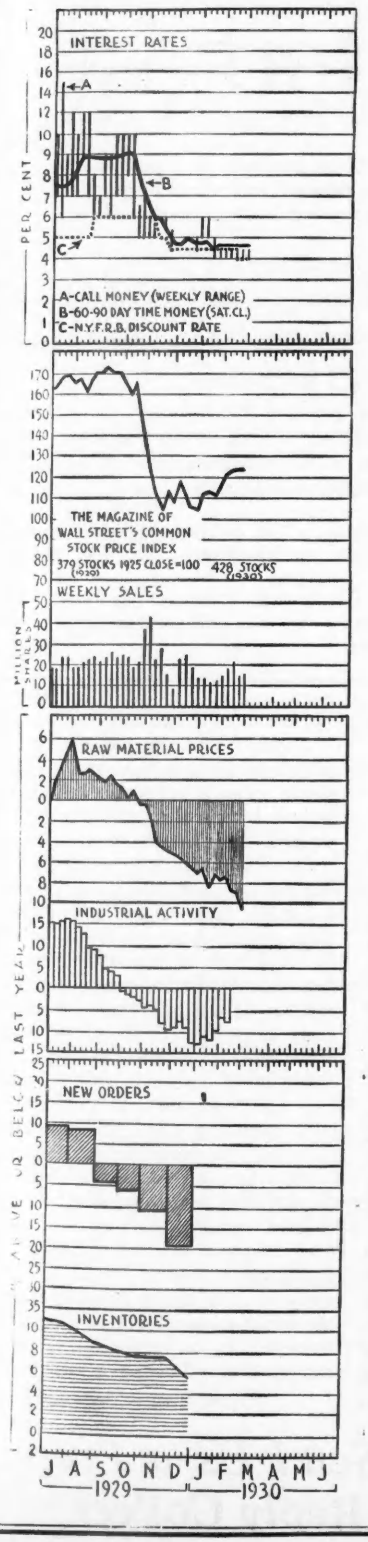
RADIO—Demand for radio sets and equipment has developed more favorably than was anticipated a month or so ago and two well known manufacturers are reporting highly satisfactory sales. Moreover, there are indications that curtailed production is helping the industry to a more satisfactory statistical position. However, profit margins are still narrow and net profits can bear considerable improvement.

RAILROAD EQUIPMENT—With actual orders developing in heavy proportions and with extensive inquiries hanging over the market, February freight car buying may pass the 17,000 mark. Locomotives, also, are being taken in good numbers.

SUMMARY—While the improvements registered in activity have been somewhat irregular to date and although unfavorable factors are not lacking, the general trend is not discouraging and should be gradually heightened as the season wears on.

THE MAGAZINE OF WALL STREET'S INDICATORS

Business Indexes

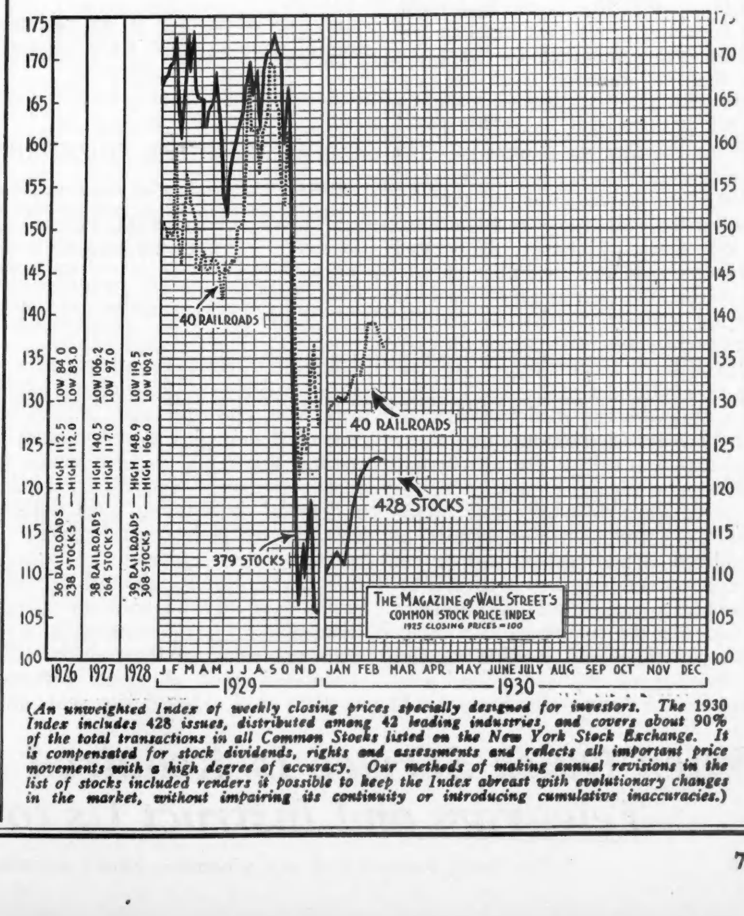


Common Stock Price Index

(1925 Closing Prices—100)

Number of Issues in Group	Group	1930 Indexes (428 Issues) High	1930 Indexes (428 Issues) Low	Recent Indexes Feb. 15	Recent Indexes Feb. 22	1929 Indexes (379 Issues) Close	1929 Indexes (379 Issues) High	1929 Indexes (379 Issues) Low
428	COMBINED AVERAGE	123.4	109.0	123.4	123.1	109.0	173.1	105.6
40	Railroads	139.0	129.0	139.0	136.3	129.0	169.5	120.8
3	Agricultural Implements	348.0	258.0	322.7	326.7	258.0	655.5	237.1
3	Aircraft (1927 Cl.—100)	112.0	82.2	103.0	112.0	86.0	307.1	78.0
8	Amusement	170.0	123.4	167.4	167.4	129.6	268.0	121.5
22	Automobile Accessories	103.0	84.2	100.8	100.8	84.2	212.6	82.9
18	Automobiles	68.7	53.0	67.1	68.7	54.2	134.9	52.1
3	Baking (1926 Cl.—100)	53.7	42.7	53.7	50.8	43.4	96.3	39.8
2	Biscuit	232.0	189.9	219.5	224.0	189.9	267.6	177.0
5	Business Machines	246.3	218.1	246.2	245.2	219.4	385.8	205.0
2	Cans	200.8	169.8	200.7	200.8	171.9	273.5	157.1
9	Chemicals & Dyes	235.9	216.9	233.3	231.7	220.4	363.9	204.5
4	Coal	101.7	83.5	98.9	101.7	83.8	124.0	77.0
16	Construction & Bldg. Material	96.4	80.9	96.4	95.0	82.4	145.4	76.6
13	Copper	211.7	191.0	202.0	194.8	194.5	391.5	189.6
4	Dairy Products	106.7	81.4	106.7	103.5	86.5	146.0	73.3
10	Department Stores	42.6	37.3	40.7	40.4	38.0	86.5	37.5
9	Drugs & Toilet Articles	135.6	128.6	131.6	133.5	128.6	199.2	119.2
8	Electric Apparatus	215.7	172.9	215.7	209.4	172.9	298.5	151.3
8	Fertilizers	46.3	40.1	44.9	44.8	40.8	121.4	36.5
2	Finance Companies	146.2	101.4	127.9	146.2	101.4	213.9	95.3
4	Furniture & Floor Covering	119.2	108.7	110.0	108.7	109.2	209.3	102.3
6	Household Appliances	72.3	57.3	72.3	70.4	57.8	110.8	56.6
4	Investment Trusts	163.7	125.7	162.2	163.7	125.7	406.2	113.3
3	Mail Order	152.5	126.1	140.6	137.1	132.6	418.6	127.5
4	Marine	68.6	61.7	67.0	65.2	62.2	93.7	60.1
3	Meat Packing	58.6	50.1	56.2	53.8	54.2	104.4	51.2
45	Petroleum & Natural Gas	109.1	102.1	102.1-1	102.7	106.7	171.7	104.5
6	Phon'phs & Radio (1927—100)	134.9	94.0	110.7	115.5	129.6	321.1	116.3
23	Public Utilities	258.9	224.5	258.9	258.9	224.9	388.4	194.2
11	Railroad Equipment	115.4	99.2	115.4	114.0	99.2	136.1	95.0
3	Restaurants	141.7	127.2	140.4	137.1	127.2	180.5	117.9
2	Shoe & Leather	91.2	79.4	85.6	84.4	79.4	178.8	76.3
2	Soft Drinks (1926 Cl.—100)	217.8	195.5	217.8	214.9	198.4	244.0	183.5
15	Steel & Iron	137.6	117.3	137.6	134.5	117.8	173.4	112.8
6	Sugar	45.1	39.5	41.4	40.1	39.7	81.6	39.2
2	Sulphur	237.7	214.0	235.0	228.0	214.0	295.2	191.4
3	Telephone & Telegraph	170.6	162.7	170.6	170.4	167.8	252.3	150.1
6	Textiles	70.2	49.9	66.7	70.2	49.9	128.5	48.1
8	Tire & Rubber	33.6	25.6	33.6	32.9	25.6	111.4	25.6
13	Tobacco	107.3	83.4	106.3	105.3	83.4	184.6	79.6
5	Traction	80.4	65.2	80.1	78.4	65.2	140.4	58.9
2	Variety Stores	97.3	79.1	79.1-1	79.4	88.7	138.8	83.9

1—New LOW record since 1928.



(An unweighted Index of weekly closing prices specially designed for investors. The 1930 Index includes 428 issues, distributed among 42 leading industries, and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments and reflects all important price movements with a high degree of accuracy. Our methods of making annual revisions in the list of stocks included renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

·SERVICE·SECTION·

ANSWERS TO INQUIRIES

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1. ***Be Brief.***
2. ***Confine requests for an opinion to THREE SECURITIES ONLY.***
3. ***Special rates upon request to those requiring additional service.***
4. ***Write name and address plainly.***

SIMMONS CO.

Now that Simmons' disappointing earnings report for 1929 is out of the way, would you advise averaging on 25 shares of the common which cost me 138? I intended to do so but the continued weakness of the stock has caused me to hesitate. How many times its annual earnings would you say this stock is entitled to sell?—S. T. E., Evanston, Ill.

The Simmons Co., an outstanding producer of iron, steel and brass bedsteads, bed springs, mattresses, steel furniture, etc., got off to a good start last year but felt the effects of the general business decline in the final quarter, with the result that earnings for the full year amounted to but $4.14 per share of common stock as compared with $3.88 a share on a slightly smaller capitalization in 1928. Earnings for the first six months of 1929 were equivalent to $3.09 per share and at that time it was estimated that results for the year would be from $6 to $7 per share. However, as pointed out above, economic conditions prevailing in the final quarter offset the good showing made in the first six months. The company recently entered the general furniture trade through acquisition of a Grand Rapids, Mich., company, and with the good will built up by huge advertising expenditures, there is no reason to believe that this branch will not be highly successful in the course of time. At prevailing quotations the shares, however, cannot be considered as undervalued and do not impress us as offering any particular inducement to make fresh commitments. Considering the company's importance in its particular field, capable management and reasonably well defined prospects for the future, the shares would seem entitled to sell at an arbitrary ratio of from 12 to 15 times earnings.

AMERICAN STEEL FOUNDRIES

What is the standing of American Steel Foundries common as a railroad equipment stock? I have 50 shares at 70 held for over a year. Is there anything to the talk of a real advance in rail equipment issues in the near future? Would American Steel Foundries participate in such a movement?—W. H. L., Canton, Ohio.

American Steel Foundries holds a strong position in the railway equipment field, and operations are further diversified through the manufacture of castings for ships, the production of mining equipment and the conducting of general engineering work. However, the company depends chiefly on buying of new equipment by railways and traction lines, and as a result, profits have shown a tendency to vary from year to year in line with conditions prevailing in those fields. The downward trend of profits witnessed in 1928 was reversed last year when the net income reached $4.79 a share, or a gain of 57.3% over the $3.02 reported in the previous year. This, of course, was a reflection of improved buying by carriers, and the company entered the current year, with prospects of a satisfactory volume of business for the first half year, although it is possible that volume will experience some decline later in 1930. Earnings declined from 1923 to 1928, due to unfavorable conditions prevailing but the company took advantage of the lean years to modernize its plants and improve operating methods. A marked reduction of costs resulted. An idea of the close control of expenses and high operating efficiency of the company may be gained from the fact that during the depression period from 1923 to 1928 the company only failed once to earn enough to cover dividends on both classes of stock in addition to preferred stock sinking fund. The company is in a strong financial position; the issues of stock outstanding are not preceded by a funded debt; and the company is following a policy of re-

(Please turn to page 795)

When Quick Service Is Required Send Us a Prepaid Telegram and Instruct Us to Reply Collect

Income Tax Department

Conducted by M. L. Seidman

This is the seventh of a series of articles by Mr. Seidman on how to prepare income tax returns, that will appear regularly in these columns. Mr. Seidman is a well-known tax expert and has written numerous articles on taxation. He will answer all income tax questions that might be directed to him by our readers. Unnecessary duplication will be avoided by publishing one type reply which fully satisfies the queries in other letters. Questions should be addressed to Mr. Seidman, c/o THE MAGAZINE OF WALL STREET, *42 Broadway, New York City. All communications must be signed by the inquirer, but no names will be disclosed in the published answers.*

NOW that we have covered the normal tax, the surtax and the earned income credit, we are ready to complete the picture on the possible tax computation by discussing the tax on capital gains and losses. That is the object of this article.

Special and favorable consideration is given to the tax on gains from so-called capital assets. It will be recalled that the surtax rate goes up to 20% and the normal tax rate to 4%, so that one may have to part with 24% of his profit for income taxes. Under the capital gains provision, however, the tax rate is limited to 12½%, where what is sold had been owned for two years or more. The theory of the law is that it is unfair to tax a profit in the regular way all in one year, when the profit really has accrued over a period of years. On the other hand, where the transaction results in a loss instead of a gain, the limitation works just the other way and the tax that would otherwise be payable, cannot be reduced by a maximum of 12½% of the loss.

The Two Year Period

In determining whether property has been held for the necessary two year period there are some peculiar things that should be noted. In the first place, if a stock dividend is declared, it is not the date of the actual receipt of the new stock that starts the two-year period. Instead, the new stock is deemed to have been already held for as long as the old stock had been owned. In 1928, for example, the General Motors Co. declared a 150% stock dividend. If a person bought 100 shares of General Motors in 1922, he received in 1928 an additional 150 shares. These 150 shares are regarded as having been owned by the stockholder since 1922, so that if he went out the day after he had actually received the shares and sold them, the gain or loss would be regarded as a capital asset transaction.

The situation is similar with respect to property that is acquired by gift. If A bought a piece of real estate in 1923 and gave it to B in 1929, and B sold it in 1929, B is deemed to have held the real estate since 1923, and, therefore, any profit would be regarded as capital gain, and any loss as capital loss.

Capital Gains Optional

To what extent does the capital gain feature really result in a saving? In the first place, not everybody's income is subject to a 12½% tax. It is apparent, therefore, that as to such individuals, a tax of 12½% on their capital gains would be a detriment rather than an advantage. However, since the law is designed to help where profits are involved rather than hurt, provision is made that it is optional with the taxpayer whether he wants to come under the capital gain limitation or not. As a general proposition, the tax rate on incomes below $35,000 is less than 12½%, so that all those whose income is less than that amount should not elect to come under the capital gain provision, but, instead, compute their tax in the regular way. Those whose net incomes are in excess of $35,000 will probably find it profitable to take advantage of the tax rate limitation on their capital gains.

Let us work out an example to bring this home more forcefully. We will assume that A, a married man, with no dependents and an earned income of $5,000, has a total net income of $75,000, of which $25,000 is from capital net gains and $50,000 of ordinary income. If no consideration were given to the capital gain provision and the tax were computed in the regular way on an income of $75,000, the tax would be $9,598.13. However, by giving effect to the capital gain limitation, the regular tax is computed on an income of $50,000, resulting in a tax of $4,598.13. The tax on the $25,000 of capital gains at 12½% would be $2,875, making the total tax $7,472.13. As the tax without the capital gains provision was $9,598.13, there is a saving of $2,126.

When it comes to capital losses, the rule is in one very important respect different from that of capital gains. We said that it was optional with the taxpayer whether he computed his tax considering the capital gain feature or not. In the cases of capital losses, however, where the 12½% limitation results in a higher tax than if the income were computed in the regular way, the tax *must* be computed on the basis of the capital losses.

Let us take the case of A again, and we will assume this time that the situation is reversed. He has a net income of $50,000, arrived at by deducting from the ordinary income of $75,000, capital losses of $25,000. The tax on an ordinary net income of $50,000 is $4,598.13. However, by considering the capital loss limitation, the tax is first computed on the ordinary income of $75,000, or a tax of $9,598.13. The effect of the capital loss of $25,000 is a maximum reduction of 12½%, that is, 12½% of $25,000, or $2,875. A's tax is, therefore, $6,723.13. If the limitation for capital losses did not have to be considered, but, instead, everything computed on the regular basis, the tax would have been $4,598.13, so that as a result of the capital loss limitation, A must pay a higher tax by $2,125.

QUESTIONS AND ANSWERS

Rights

Q. In the sale of "Rights" to buy additional stock, is this considered as profit on the stock or can it be considered as a dividend? M. T. D.

A. When a "Right" is received, it is deemed to cost the stockholder something. The amount is determined by apportioning the cost of the stock on which the "Right" is received, on the basis of the value of the "Right" and the value of the stock at the time that the stockholder becomes entitled to the "Right." Gain or loss is therefore determined by reference to that computed cost. However, the taxpayer has the option of reporting the entire proceeds from the sale of "Rights" as income. In that event he needn't make any adjustment reducing the cost of the stock on which the "Rights" are received, for the cost of the "Rights."

Brokers Account in Incorrect Name

Q. When a stock transaction has been handled with a broker in the name of one person, but really represents the interest of two individuals, each wishing to have his share of the profit or loss, which ever the case might be, should each person show his

(Please turn to page 802)

New York Stock Exchange

RAILS

	1927		1928		1929		Last Sale 3/27/29	Div'd $ Per Share
	High	Low	High	Low	High	Low		
A								
Atchison	204	182¾	288¾	185½	240½	219¾	228½	10
Do Pfd.	108½	100¾	105½	99	104	102¾	†103	5
Atlantic Coast Line	191½	157¾	200½	161	178	166	†170	10
B								
Baltimore & Ohio	125¾	102¾	145½	108	119¾	115	115½	7
Do Pfd.	85	77	81	75	116	111	114	7
Brooklyn-Manhattan Transit	77¾	58¾	81½	40	78½	68	72	4
Do Pfd.	95¾	82	92¾	76½	90¾	84½	88½	6
C								
Canadian Pacific	253	195½	265¾	185	226¾	187¾	207½	10
Chesapeake & Ohio	218¾	175½	279¾	160	237½	203	233	10
C. M. & St. Paul & Pacific	40½	22½	44¾	16	26¾	23	23½	..
Do Pfd.	59¾	37	62¾	28½	46¾	40¾	41¾	..
Chicago & Northwestern	94½	78	108½	75	89¾	84	86	5
Chicago, Rock Is. & Pacific	139¾	106	143½	101	135½	114	119¾	7
Do 7% Pfd.	111½	105	109	100	108½	107	108	7
D								
Delaware & Hudson	226	169½	226	141½	181	161½	170½	9
Delaware, Lack. & Western	150	125½	169¾	120½	153	136	143	7
E								
Erie R. R.	72½	48¾	92½	41½	66¾	56½	59¾	..
Do 1st Pfd	68¾	50	66½	55¾	67¾	61¾	66	4
Do 2nd Pfd.	62	49½	63¾	52	62½	57½	†61½	4
G								
Great Northern Pfd.	114¾	93½	128½	85½	100¾	95	97¾	5
H								
Hudson & Manhattan	73½	50½	58¾	34½	51½	46¾	48	3½
I								
Illinois Central	148¾	131¾	153½	116	151	129	†135½	7
Interborough Rapid Transit	62	29	58¾	15	34	29¾	30½	..
K								
Kansas City Southern	95	48	105¾	60	83	77	†77½	5
Do Pfd.	77	66½	70½	63	69	67½	†67½	4
L								
Lehigh Valley	116	84½	102¾	85	77¾	76½	72	4½
Louisville & Nashville	159½	139¾	154¾	110	139	128	†132	7
M								
Mo., Kansas & Texas	58	30½	65¾	27½	58½	46¾	54½	..
Do Pfd.	109	101½	107¾	98¾	106¾	103	105½	7
Missouri Pacific	76½	41¾	101¾	46	96	87	91	..
Do Pfd.	126¾	105	149	105	141	134	140½	5
N								
New York Central	196½	156	256½	160	189¾	167	182¾	8
N. Y., Chic. & St. Louis	146	121¼	192¾	110	144	130	†134	6
N. Y., N. H. & Hartford	82¾	54¾	132½	60¾	123¾	108¾	121¾	6
N. Y., Ontario & Western	39	24	32	8	16	13¾	14½	..
Norfolk & Western	198½	175	290	191	[illegible]	[illegible]	260	10
Northern Pacific	118	92¾	118¾	78½	[illegible]	[illegible]	93¾	5
P								
Pennsylvania	76¾	61¾	110	72½	85½	72¾	82½	4
Pere Marquette	154	124¾	260	140	169	150	†155	8
Pittsburgh & W. Va.	163	121½	148¾	90	151¾	...	†100	6
R								
Reading	119¾	94½	147¾	101½	141½	121	†127	4
Do 1st Pfd.	46	41½	50	41½	50½	47	†47	2
Do 2nd Pfd.	59¾	44	60¾	43¾	57	47¾	52	2
S								
St. Louis-San Fran.	122	109	133¾	101	114¾	107¾	111¾	8
St. Louis-Southwestern	124½	67½	115¾	50	69¾	59½	64	..
Seaboard Air Lines	30½	11¾	21¾	9½	12½	9¾	10½	..
Do Pfd.	38	17	41¾	16½	28	22½	†24	..
Southern Pacific	131¼	117¾	157½	105	127	119½	124	6
Southern Railway	165	139½	162½	109	136¾	128	128⅞	8
Do Pfd.	102¼	96¾	100	93	100¾	95	99	5
T								
Texas & Pacific	194¾	99½	181	115	129½	117	†118	5
U								
Union Pacific	224¾	186½	297¾	200	237½	215	229	10
Do Pfd.	87½	82½	85½	80	84	82½	84	4
W								
Wabash	96½	51	81¾	40	60	51	54	..
Do Pfd. A	102	88½	104⅞	82	87¾	83	†85½	5
Western Maryland	54¾	31¾	54	10	29½	24½	27½	..
Do 2nd Pfd.	54¾	33½	53½	14¾	29½	24½	†27½	..
Western Pacific	38½	28½	41⅞	15	28¾	21	25	..
Do Pfd.	62½	52½	67¾	37½	50¾	40½	45	..

INDUSTRIALS AND MISCELLANEOUS

	1927		1928		1929		Last Sale 3/27/29	Div'd $ Per Share
	High	Low	High	Low	High	Low		
A								
Adams Express	425	195	34	20	34¾	23½	33¾	1.60
Air Reductions Inc.	99¾	59	223¾	77	134	118	132	3
Allegheny Corp.	...	...	56½	17	34½	23	31½	..
Allied Chemical & Dye	252¾	146	354¾	197	282	255¾	268¾	6
Allis Chalmers Mfg.	200	115½	79½	35¾	62¾	49¾	58¾	3
Amer. Agricultural Chem. Pfd.	79¾	55¾	73¾	18	7¾	6¾	7	..
Amer. Bank Note	159	74¾	157	65	99	77	91¾	3
Amer. Brake Shoe & Fdy	49½	39¾	62	40½	52½	46¾	52¾	2.40
American Can	177½	70½	184½	86	146¾	117¼	141½	4
Amer. Car & Fdy.	111½	88½	106½	75	82½	78½	80¾	6
Amer. & Foreign Power	55	22¾	199½	50	101¼	88¾	93½	..
American Ice	46¾	28	54	29	39½	35½	36½	4
Amer. International Corp.	150	71	96¾	39½	47½	35¾	46¾	2
Amer. Mchy. & Fdry.	180	129½	279¾	142	264¾	210	264¾	7
Amer. Metal Co., Ltd.	63¾	39	61¾	31½	51½	44	46	3
Amer. Power & Lt.	95	62½	175¾	64½	96	77	95¾	1
Amer. Radiator & S. S.	191½	159¾	55¾	36	38	30½	35½	1½
Amer. Rolling Mill	...	...	144¾	60	100¾	80½	94½	2
Amer. Smelting & Refining	293	160	130½	62	78½	69¾	71½	4
Amer. Steel Foundries	70¾	50½	79¾	35¾	51½	44½	48¾	3
American Stores	...	...	214	130	49½	46½	46¾	2

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS—(*Continued*)

	1928		1929		1930		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	2/27/30	Share
Amer. Sugar Refining	98½	55	94¾	56	67	60⅛	62	5
Amer. Tel & Tel.	211	172	310⅛	193¼	239⅞	216	237½	9
Amer. Tobacco Com.	184⅝	152	232½	160	239¼	216	235⅞	8
Amer. Type Founders	142¼	109⅞	131	115	135	125	134¾	8
Amer. Water Works & Elec.	76½	52	199	50	109¼	88½	106¾	1
American Woolen	32⅝	14	27⅞	5⅝	20¼	7½	17⅝	..
Anaconda Copper Mining	120¼	54	140	67¼	80⅜	69⅝	73¼	7
Armour of Ill. Cl. A	23½	11⅛	18⅝	5¼	6⅝	5¼	5⅝	..
Arnold-Constable Corp.	51¾	35¼	40⅝	6¼	8⅛	6⅝	7⅝	..
Assoc. Dry Goods	75¼	40¼	70⅝	25	36⅝	28	36	2½
Atlantic, Gulf & W. I. S.S. Line	59⅝	37½	86⅞	32⅛	80⅝	66½	70	..
Atlantic Refining	66½	50	77⅝	30	42⅝	36¼	38¾	2
Auburn Auto	...	...	85	60	233	175½	221½	4
B								
Baldwin Loco. Works	285	285	66⅝	15	38	30½	35¾	1¾
Barnsdall Corp. Cl. A	53	20	49⅞	20	24¼	20½	21¾	2
Beech Nut Packing	101¼	70⅝	101	45	70⅛	60½	64	3
Bendix Aviation	...	...	104⅝	25	44¾	32⅞	44¾	2
Best & Co.	103	58¾	60⅝	25	30	31½	39	2
Bethlehem Steel Corp.	86⅜	51⅞	140¾	78¼	103¾	92	100⅛	6
Bohn Aluminum	...	...	136⅝	37	56⅝	47⅞	51½	3
Borden Company	187	158	100½	53	70½	69½	68⅞	3
Borg-Warner	...	...	86⅞	26	42	32⅞	40⅞	4
Briggs Mfg.	63⅝	21½	66½	8½	17½	14⅛	15¾	..
Bucyrus-Erie Co.	48¾	24½	42¾	14	26⅞	22½	26¼	1
Burrough Adding Mach.	249	139	96⅝	29	50⅞	48¼	48½	1
Byers & Co. (A. M.)	206¾	90½	192⅞	50	95⅝	80½	84⅞	..
C								
California Packing	82⅝	68½	84⅞	63½	77	66⅝	75¾	4
Calumet & Arizona Mining	133	89	136⅝	73½	89⅞	74⅞	77½	6
Calumet & Hecla	47⅝	20½	61⅞	25	33⅝	29	30½	4½
Canada Dry Ginger Ale	86½	54⅞	98¾	45	73¾	63¾	72¾	5
Case, J. I.	515	247	467	130	249⅞	192¼	234¾	6
Caterpillar Tractor	..	...	61	50¼	68⅝	54	67¼	3¼
Cerro de Pasco Copper	119	58½	120	52¼	65⅝	59⅛	61	6
Chesapeake Corp.	81⅞	62¾	92	42⅛	76	63½	74	3
Childs Co.	64	37	75⅞	44¼	67⅝	57½	62½	2.40
Chrysler Corp.	140½	54¾	135	26	41¾	33¼	39	3
Coca-Cola Co.	180½	127	154½	101	152⅞	133¼	149⅝	6
Colorado Fuel & Iron	84½	52½	78½	27⅝	57	36½	54	2
Columbian Carbon	134¾	79	344	105	195¾	168½	184½	6
Colum. Gas & Elec.	140⅞	89½	140	52	93⅞	70½	92	2
Commercial Solvent	250¼	137⅞	63	20⅛	32⅝	27¼	31¼	1
Commonwealth Southern	...	...	24¾	10	18¼	12¾	17	.60
Congoleum-Nairn, Inc.	31½	22	35¾	11	18⅝	13½	17½	..
Consolidated Gas of N. Y.	170¼	74	183¼	80⅛	121¾	96⅝	119¼	4
Continental Baking Cl. A	53½	26½	90	25¼	52½	39	44	..
Continental Can, Inc.	128⅞	53	92	40½	66⅝	50½	65½	2½
Continental Motors	20½	10	28⅝	6⅛	8¼	5⅝	7⅜	..
Continental Oil	..	..	47½	48	23⅞	19½	21⅛	..
Corn Products Refining	94	64⅝	126⅜	70	99⅜	87½	95½	3¾
Crucible Steel of Amer.	93	69¼	121⅝	71	92½	86	86¼	5
Curtiss Wright, Common	...	...	30⅛	6⅜	11⅜	6½	10⅝	..
Curtiss Wright, A	...	...	37⅞	13¼	17½	13⅜	16¾	..
Cudahy Packing	78¼	54	67⅞	36	48	45	45	4
D								
Davison Chemical	68¾	34⅝	69½	21¼	40	28⅝	37¾	..
Drug, Inc.	120½	80	126½	69	84	77	79½	4
Du Pont de Nemours	503	310	231	80	131	112⅛	*126	4.70
E								
Eastman Kodak Co.	194¼	163	264¾	150	221⅞	175¾	221	8
Eaton Axle & Spring	68½	26	76⅝	18	37¼	27⅞	35⅜	3
Electric Auto Lite	136½	60	174	50	105	81	101⅞	6
Elec. Power & Light	49⅜	28¾	86⅝	29¼	67¾	49¼	66¾	1
Elec. Storage Battery	91½	69	104½	55	79¼	69¾	76⅞	5
Endicott-Johnson Corp.	85	74¾	83⅝	49¼	59⅝	52½	†56	5
F								
Federal Light & Traction	71	42	109	60½	72¼	59⅝	71¼	1½
Fox Film Cl. A	119⅝	72	105⅝	19½	39½	16⅛	33⅝	..
Freeport Texas Co.	109¼	48	54⅞	23¾	44	38⅛	39½	5
G								
General Amer. Tank Car	101	60⅞	123½	78	108¾	99⅝	104¾	4
General Asphalt	94⅞	68	94¾	42¼	59¾	49½	54¾	4
General Electric	221½	124	403	168⅛	78¾	60⅛	74	1.60
General Foods	..	..	81¾	35	55⅝	46⅛	51⅝	3
General Motors Corp.	224¾	130	91¾	33½	45	37½	43	3.30
General Railway Signal	123⅝	84¼	126½	70	97	86⅛	93¾	5
Gillette Safety Razor	123⅜	97½	143	80	106⅛	87¼	97⅜	5
Gold Dust Corp.	143¼	71	82	31½	46⅞	37¾	42⅝	2½
Goodrich Co. (B. F.)	109¼	86½	105¾	38¼	51¾	40¼	47	4
Goodyear Tire & Rubber	140	45½	154½	60	85⅝	62	81	5
Granby Consol. Min., Smelt. & Pr.	93	39½	102⅞	46¼	59¾	51	56½	8
Great Western Sugar	38½	31	44	28	34½	28	28¼	2.80
Gulf States Steel	73⅞	51	79	42	80	51⅞	73	4
H								
Hershey Chocolate	72½	30⅝	143⅞	45	85	70	81⅞	5
Houston Oil of Texas	167	79	109	26	70½	52¼	63½	..
Hudson Motor Car	99⅞	75	93½	38	62⅞	53⅝	56	5
Hupp Motor Car	84	39	82	18	24¾	20¼	21⅝	2
I								
Inland Steel	80	46	113	71	85	70⅝	†82	4
Inspiration Consol. Copper	48⅞	18	66¾	22	30⅞	26¼	28	4
Inter. Business Machines	166⅜	114	225	109	177¾	152¼	171¾	6
Inter. Cement	94⅞	56	102¾	48	61⅜	56¾	57¼	4
Inter. Harvester	97⅞	80	142	65	95⅞	78⅜	92	2½
Inter. Nickel	269½	73⅝	72¾	25	40½	31⅜	39	1
Inter. Paper & Power "A"	86⅜	50	112	57	30¾	26	28¾	2.40
Inter. Tel. & Tel.	201	189½	149¼	53	75¾	62⅜	68⅝	2
J								
Johns-Manville	202	96¼	242⅜	90	148⅝	117	139	3
Jewel Tea	179	77⅝	84½	45	54	43	50½	4
K								
Kennecott Copper	156	80½	104⅞	49⅝	62¾	55	57	5
Kresge Co. (S. S.)	91¾	65	57½	28	36¾	30⅝	31¾	1.60
Kroger Grocery & Baking	132¼	73¼	122½	28¼	48½	37	38¼	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS—(*Continued*)

	1928		1929		1930		Last Sale 2/27/29	Div'd $ Per Share
	High	Low	High	Low	High	Low		
L								
Lambert Co.	136⅝	79⅛	157¼	80⅛	108⅝	97	108	8
Lehn & Fink	64⅞	38	68⅛	28	34	29⅞	31½	3
Liggett & Myers Tob.	122⅛	83⅛	106	80¼	108	91⅛	100⅞	5
Loew's Inc.	77	49⅛	84⅛	32	70⅛	42⅛	69½	3
Loose-Wiles Biscuit	88¾	44¼	88⅜	39⅛	64¼	50⅛	62¼	2.60
Lorillard	46⅞	23⅜	31½	14¼	26¼	16⅛	24½	..
M								
Mack Truck, Inc.	110	83	114⅝	55⅛	84⅞	70	81	6
Macy (R. H.)	187¾	134	255⅛	110	159¼	137½	151	2
Magma Copper	75	43¾	82⅛	55	52⅜	45	†48	..
Mathieson Alkali	190	117⅝	78⅜	29	46⅝	37½	42⅜	2
May Dept. Stores	113⅛	75	108½	45⅛	61⅜	49	56½	2
McKeesport Tin Plate	78⅜	62⅛	82	54	71	61	69	4½
Mont. Ward & Co.	156⅛	115¼	156⅞	42⅝	49⅞	38⅝	44⅝	3
Murray Corp.	134¼	21⅛	100⅞	14⅞	24¼	18	21	..
N								
Nash Motor Co.	112	80¼	118⅞	40	58⅛	50⅝	51	6
National Biscuit	195¼	159½	236¾	140	87	71	83⅞	2.80
National Cash Register A	104¾	47¼	148¾	59	83¼	72¾	74⅜	4
National Dairy Prod.	133½	64¼	86½	36	52½	45¼	50¼	2
National Lead	136	115	210	129¼	189½	137	172½	8
National Power & Light	46⅝	21⅞	71¾	28	42⅜	32	40⅞	1
Nevada Consol. Copper	42⅜	17¾	62⅞	23¼	32⅜	27½	27⅞	3
North American Co.	97	58⅝	186¾	66⅛	111⅞	93⅜	111	..
O								
Otis Elevator	285½	147⅛	55	22⅛	333⅜	280	†320	..
Otis Steel	40⅛	10⅛	55	22¼	36	30½	34¾	2½
P								
Pacific Gas & Electric	56⅛	48⅛	98⅜	42	64⅞	52⅛	63	2
Pacific Lighting	85⅝	69	146⅛	58⅛	93⅝	72	90	3
Packard Motor Car	163	56¼	32½	13	19¾	15⅜	19	1
Paramount Publix	56⅜	47¼	75⅛	35	68⅛	48⅝	68¼	4
Penney (J. C.)	...	...	105⅛	66	80	63⅝	73¼	2½
Phillips Petroleum	53⅞	35¼	47	24¼	35	29⅛	32½	2
Prairie Oil & Gas	66⅝	59⅛	65⅝	40½	52¼	46	46	2
Prairie Pipe Line	...	...	65	45	60	57	57⅜	5
Public Service of N. J.	83⅛	41¼	137¾	54	98⅜	81⅛	97⅝	3.40
Pullman, Inc.	94	77⅞	99¼	73	89⅜	81⅝	82	4
Pure Oil	31¼	19	30¾	20	24⅜	21⅛	22	1½
Purity Bakeries	139⅜	75	148⅝	55	88⅞	77	84½	4
R								
Radio Corp. of America	420	85¼	114¾	26	48⅝	34⅜	48	..
Remington-Rand	36⅛	23⅛	57¾	20⅝	37¾	25⅝	36⅞	1.60
Republic Iron & Steel	94⅛	49⅛	146¼	62¼	81	72⅛	75¾	4
Reynolds (R. J.) Tob. Cl. B.	165½	126	66	39	55¾	49⅛	53⅞	3
Richfield Oil of Calif.	56	23⅛	49⅝	20	26⅛	22¼	24⅛	2
Royal Dutch	64	44⅝	64	43⅛	54⅝	49¼	50⅜	3.20
S								
Safeway Stores	201¾	171	195¼	90⅛	122⅜	96½	99⅞	5
Schulte Retail Stores	67⅛	35¾	41⅛	3⅛	12⅜	4¼	8⅞	..
Sears, Roebuck & Co.	197⅛	82¼	181	80	100⅝	82⅛	89½	2½
Shell Union Oil	39⅝	23¼	31⅜	19	29⅝	21	21½	1.40
Simmons Co.	101¾	55¾	188	59⅛	94⅞	62⅜	65	3
Sinclair Consol. Oil Corp.	46¾	17⅜	45	21	26⅝	21⅝	25	2
Skelly Oil Corp.	42⅝	25	46⅛	28	33¼	28⅞	29¼	2
Standard Brands	..	..	44¾	20	29¼	25⅝	25⅞	1¼
Standard Gas & Elec. Co.	84⅝	57⅞	243¾	73⅛	124⅞	109¾	120	3½
Standard Oil of Calif.	80	53	81⅞	51⅛	61⅝	55½	59¾	2½
Standard Oil of N. J.	59¾	37¾	83	48	66⅞	58	59⅜	2
Standard Oil of N. Y.	45⅛	28⅜	48⅛	31¾	33⅞	31¼	32¾	1.60
Sterling Securities, A.	...	...	38	8¼	17⅜	10⅛	16¼	..
Stewart-Warner Speedometer	128⅛	77⅛	77	30	44	38	39½	3½
Stone & Webster	...	...	201½	64	108	77	94⅜	4
Studebaker Corp.	87⅛	57	98	38⅛	47⅛	40⅜	43¼	5
T								
Texas Corp.	74¾	50	71⅞	50	56¼	50⅞	52⅝	3
Texas Gulf Sulphur	82¼	62⅛	85¼	42⅛	64¾	54⅞	62½	4
Texas Pacific Coal & Oil	26⅝	12⅛	23⅞	9½	10¾	9	9⅜	..
Tide Water Assoc. Oil	25	14¾	23⅛	10	13⅛	10⅜	11⅛	.60
Timken Roller Bearing	154	112⅝	139⅜	58½	80⅛	70⅜	77	3
Transcontinental Oil	14⅛	6⅜	15⅛	5⅛	10⅛	7⅜	8	..
U								
Underwood-Elliott-Fisher	93⅞	63	181⅝	82	125¼	97¼	124½	5
Union Carbide & Carbon	209	136⅛	140	59	94⅝	76	91	2.60
United Aircraft & Trans.	...	...	162	31	56⅜	43½	56	..
United Cigar Stores	34⅝	22⅞	27⅛	3	9	4	6	..
United Corp.	...	...	75⅛	19	40⅞	30⅛	39⅝	..
United Fruit	148	131⅛	158⅛	99	106	86½	92	4
United Gas Imp.	...	...	59⅝	22	40	31⅝	38¾	1.20
U. S. Pipe & Foundry	53	38	243⅝	95	33⅜	18⅛	31¾	2
U. S. Industrial Alcohol	138	102⅛	55⅞	12	139⅜	110¼	119¼	7
U. S. Realty	98⅝	61⅛	119⅛	50⅛	69⅞	60	65	5
U. S. Rubber	69¼	27	65	15	29⅞	21⅛	26½	..
U. S. Smelting, Ref. & Mining	71⅛	39⅛	72⅞	29⅝	36⅛	32⅝	33	3½
U. S. Steel Corp.	172⅛	132⅝	261¾	150	189½	166	*182½	7
V								
Vanadium Corp.	111⅛	60	116⅛	37⅛	73⅜	49⅞	68	4
W								
Warner Brothers Pictures	139¼	80⅞	64⅛	30	64⅞	38⅝	64⅜	4
Western Union Tel.	201	139⅛	272¼	155	219⅜	190	213⅞	8
Westinghouse Air Brake	57⅜	42⅛	67¾	26⅛	52	43⅝	51⅝	2
Westinghouse Elec. & Mfg.	144	88⅛	292⅝	100	184¼	140	182	5
White Motor	43⅜	30¼	53⅛	27¼	36⅛	31	35⅜	2
Willys-Overland	33	17⅞	35	5⅛	10⅞	7⅛	9¾	1.20
Woolworth Co. (F. W.)	225¾	175½	103⅞	52¼	72⅜	60⅝	65½	2.40
Worthington Pump & Mach.	55	23	137⅝	43	87⅛	67⅛	83	..
Y								
Youngstown Sheet & Tube	116⅝	83⅛	143	91	134⅞	108	130⅛	5

* Ex-dividend. † Bid Price. § Script.

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General Baking 799
Gillette Safety Razor Co....... 795
Gold Dust Corp. 773
Gulf States Steel Co.......... 798
International Business Machine Corp. 770
Jewel Tea Co., Inc............ 771
Liggett & Myers Tobacco 768
National Cash Register........ 796
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Simmons Co. 784
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United States Rubber Co....... 800
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Railroads

Atchison 762
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Important Corp. Meetings

Company	Specification	Date of Meeting
Ahumada Lead	Directors	3-15
Air Reduction	Annual	3-12
Amer. Safety Razor	Directors	3-20
Amer. Steel Foundries	Directors	3-20
Amer. Sugar Ref	Directors	3-12
Barnsdall Corp.	Directors	3-18
Beech Nut Packing	Directors	3-11
Bon Ami	Annual	3-19
Continental Can	Directors	3-11
Drug, Inc.	Directors	3-11
du Pont de Nemours	Directors	3-17
Fed. Light & Traction	Annual	3-12
Houston Oil	Directors	3-11
Ind. Oil & Gas	Directors	3-10
Intern. Nickel	Directors	3-18
Liggett & Myers	Directors	3-10
Loose-Wiles	Annual	3-10
Lorillard	Directors	3-11
Minn.-Moline	Directors	3-18
Nat. Biscuit	Directors	3-12
Timken-Det. Axle	Directors	3-15
Walworth Co.	Directors	3-12
Wilcox-Rich	Directors	3-12

Low Interest, Low Taxes—High Business

(Continued from page 753)

we indulged in such excessive speculation as we did in 1929, and never before has industry felt it quite so keenly. You can't suddenly drop billions of dollars from security valuations without severe unsettlement. But all this will pass; it's just like the answer of one man to an inquirer who asked if he thought it would stop raining—"It always has."

"It seems to me that the important question is: Have we learned our lesson so well that we will not make the same error again? Will we again mistake the bubble for the substance? Will we forget that the only basis for prosperity is thrift and that thrift does not consist in discounting an unknown and distant future, but rather in being able to count wealth in hand or that which though in futurity, is so certain to develop, when judged by all the standards of the past, as to be almost a present possession?

"Interest rates are softening. Federal Reserve Banks are lowering their rediscounts. Call money is down to normal. At current prices good stocks generally afford a dividend yield that makes them worth carrying. Corporations no longer are more interested in lending money on call than they are in financing themselves instead of issuing 'rights' or selling more common stock. These are all trends in the right direction. Now let's get taxes down and we will have reached a solid business foundation on which we may build for a healthful growth of business."

Will American Rails Split Their Shares?

(Continued from page 763)

for many reasons. Its profit and loss surplus at the end of 1928 was $258,798,617. On December 31st last it was $295,010,378, an increase of $36,212,761 in the one year. The system includes such big earners as Michigan Central and Big Four, which were taken over under lease as of February 1st, last. Michigan Central, in both 1928 and 1929, earned more than $103 a share on its stock, practically all of which New York Central owns. Last year alone the latter received over $22,000,000 in extra dividends from Michigan Central and other subsidiaries.

Will Atchison Split Its Shares?

And there is the Atchison. No one well-informed cares to make many definite predictions as to what its ultra-conservative board will do with its big earnings and surplus. For 1929 net operating income showed an increase of $13,319,805 over 1928. Net income was equal to almost 23% on the common stock. At the close of the year cash and marketable securities in the treasury totaled nearly $80,000,000. Profit and loss surplus as of December 31st, 1928, had reached $283,366,273. It is still bigger now—perhaps $300,000,000—and ever increasing.

Last year the common stock almost reached $300. It will sell there again if the shares are left with the present par value. Some day they will be split.

There are other American railroad stocks selling at high prices, whose companies make large earnings and have large surpluses and pay good dividends. Among them might be mentioned Atlantic Coast Line, which during the life of Henry Walters, chairman, is not likely to split its shares—but he is past 80. The same may be true of Louisville & Nashville, control of which is owned by Atlantic Coast Line. Both are particularly strong roads in every respect. The stocks sold last year at 209½ and 154¾, respectively.

Delaware & Hudson is bound to do something in the way of an extra distribution. Its stock is getting back toward the 200 mark, the dividend is 9% a year. The company has nearly $70,000,000 cash on hand. It belongs to the shareholders.

Other strong American railroads, the par value of whose common shares is practically certain to be reduced in time are Lackawanna, Illinois Central and Southern Railway.

Last Fall Chesapeake & Ohio directors voted to split the common stock of that company on a 4 for 1 basis. Stockholders approved the plan subsequently, but so far the I. C. C. has not made known its decision. Quite possibly the Van Sweringens will split Nickel Plate common in due time. Probably they will leave Pere Marquette as it is. Something may be done toward splitting up Burlington shares if that stock is once released as bond collateral. Jersey Central, because of merger complications, may be left as it is. The same may be said of Norfolk & Western, which sells around 260.

Judging from the market action of Canadian Pacific, on the day its splitting up was announced, and for some

time before, any of the now high priced American railroad stocks, such as those mentioned, should be closely watched. It would seem practically certain that they would make a similar response to a plan for splitting the shares or materially increasing distributions to stockholders, no matter what the form might be.

Domestic and Overseas Diversification in Utility Investment

(*Continued from page 765*)

tion, and 2.7% from other services. Non-operating revenue amounted to $1,025,625 and other income netted $3,511,096, derived from interest, engineering fees, net from subsidiaries not utility properties, and miscellaneous income. Operating expenses were $20,577,942, taxes (exclusive of Federal taxes) $3,074,969, maintenance $3,433,809, and depreciation $3,559,967. Maintenance and depreciation together were equivalent to about 14.3% of the total gross operating revenues, a fairly liberal allowance in utility practice. After all prior charges there remained for the stocks of the Utilities Power & Light Corp. net income of $7,013,999. Earnings on the Class "A" stock for the period was $5.81 on the average number of shares outstanding, and to $4.45 on the number outstanding at the close of the period. On the common stock outstanding at the end of the period, the earnings amounted to $1.41 per share.

Equity Securities Attractive

The capitalization of the Utilities Power & Light consists of $14,000,000—5½% Gold Debentures due 1947, $36,000,000—5% Gold Debentures due 1959 with warrants to buy equity stocks, 162,970 shares of 7% cumulative preferred stock of $100 par value, 1,236,000 shares of Class "A" stock, 1,295,500 shares of Class "B" stock, which is the voting stock, and 1,241,500 shares of common stock, all three classes of equity stocks of no par value. The subsidiary and controlled companies have outstanding in the hands of the public $171,212,581 of funded debt, and $44,289,542 of preferred and common shares.

The Class "A" stock is a preferred equity stock entitled to receive $2.00 per share in each year before any dividends are paid on the Class "B" or common stocks. Then dividends may be declared on the two latter classes to an amount not exceeding in the aggregate the total amount required for the $2 dividend on the Class "A" stock, each share of the Class "B" and common stock to receive an equal amount in any such dividend distribution. Thereafter additional dividends may be declared at such rates that the Class "A" stock will receive one-half of the total amount of such additional dividends, and the Class "B" and the common stock the other half, each share of the latter two classes receiving the same amount in such additional dividend distribution.

If net earnings are distributed in the manner outlined above, the earnings on the Class "A" stock for the twelve months ended September 30th, 1929, are equal to $2.22 per share which compares with applicable earnings of $4.45 per share, while the Class "B" and the common stock earnings are equal to $1.08 per share as against applicable earnings of $1.41 per share.

The Class "A" stock is listed on the New York Stock Exchange currently selling for 38. Paying a dividend of $2 in cash, or 10% in stock, this security gives a cash return of about 5¼%, or if dividends are taken in stock, an annual return of 10%. The preference feature of dividend payments lends the stock a conservative tone, while the participation feature gives it at the same time attractive possibilities for price appreciation as the earning power of the properties continues to develop. The common stock which emphasizes the speculative feature more is actively traded in on the New York Curb Market currently selling for 22, returning a yield of 4.52% on the present dividend of $1 in cash. From the viewpoint solely of price appreciation it offers greater proportionate possibilities than does the Class "A" stock.

Liggett and Myers Tobacco

(*Continued from page 769*)

pany's reports, giving no details of total sales, expenses, etc., makes it rather difficult to estimate accurately the probable effects of the higher wholesale price upon current earnings. Allowing, however, for the increase in the number of class B shares which will be outstanding after March 12th, and assuming the company's ability to successfully maintain its present trade position, 1930 earnings should closely approximate $10 per share on the combined class B and common shares.

In each of the past three years, an extra dividend of $1 per share was paid to both classes of common stockholders and total disbursements in 1928

and 1929 amounted to $5 a share. In the event that estimated earnings are borne out by actual results, stockholders would have ample reason for anticipating more liberal dividend treatment this year but even on the basis of the present rate, the shares at recent levels around 97 (ex-rights) yield an attractive return considering their merited investment rating.

Both classes of common stock share equally in dividend disbursements and are identical in every other respect with the single exception that the class B shares have no voting power, this privilege being held by common and preferred stockholders. There is usually a slight difference in the market values of the two classes of common and their selection may be left to the investor, depending upon which issue is favored by prevailing quotations.

The company's established trade position developed under the guidance of an able management, its long and unbroken record of dividend payments, impregnable financial position, and excellent prospects for continued expansion of earning power are factors which should commend the shares to the conservative investor seeking to share in the future growth of a profitable industry and one which has been singularly immune from ordinary vicissitudes.

Answers to Inquiries

(*Continued from page 784*)

tiring the preferred as quickly as conditions permit. The common stock must be regarded as a speculative vehicle but is not without moderate attraction as such, and we would not be inclined to discourage retention by present holders.

GILLETTE SAFETY RAZOR CO.

I am writing you for I know you will give me a detailed and unbiased report on Gillette Safety Razor common. Holding 25 shares at 132, I am greatly worried by the recent decline and wonder how much further it may go. Shall I continue to retain my stock and average around 95? Is the $5 dividend secure?—D. R. A., New Bedford, Mass.

While the net income of the Gillette Safety Razor Co. for 1929 showed a decline of 16% from the peak reached in 1928, amounting to $6.48 a share last year as against $7.74 in 1928, the reduction was due largely to preparation for the production of the new model razor and blade which will shortly be introduced. The activities of the company during the final three months of 1929 were concentrated on the new

products which resulted in curtailing output of the old razors and blades. The year 1929 was the first year since 1910 that earnings of the company have shown a decline, and this condition can best be looked upon as a temporary setback. It is reported that the company has booked orders for approximately 30,000,000 new model razors, which is more than the entire 1928 production. The report for the first quarter of 1930 may not be favorable in comparison with the similar three months of 1929, since maximum production of the new products will not have been reached. However, operations should be on a normal basis by the second quarter, as preliminary production problems will have been largely overcome, and the basis laid for future operations which are expected to eclipse results from the old products. An important factor is that the new razor will be brought out in models to retail from $1 up, placing the product within reach of all. With the company enjoying a strong financial position and the outstanding place in the industry, future operations seem destined to be maintained on an even more satisfactory basis than in the past. The dividend was covered even in the slack 1929 period, and should be earned by a wide margin when the expenses incidental to the inauguration of the new products are ironed out. We favor retention of your shares, and feel that additional stock purchased at current levels will reward patient holders.

NATIONAL CASH REGISTER

Owing to present uncertain general business conditions, would you recommend selling 25 shares of National Cash Register A even at a loss of more than $1,000? I have read that the company is likely to report a slow March quarter which may cause the stock to sink lower. Consequently, I would appreciate your advice by return mail.—B. M. S., Milwaukee, Wis.

Although 1929 earnings of the National Cash Register Co. were lower than earlier estimates, the showing of the company was highly satisfactory in view of the less favorable business conditions which prevailed in the final quarter of the year. The net profit for the full year has been unofficially reported as being equivalent to about $5.22 a share on 1,590,000 combined Class A and B shares. This was a new record and compared with $5.21 earned on 1,500,000 Class A and B shares in 1928, which in turn was a marked improvement over the $4.70 reported in 1927. The company ranks as the world's leading manufacturer of cash registers producing more than 600 various models, in addition to manufacturing accounting machines, credit files, and numerous specialty machines. Expenses in connection with introduction of new machines cut heavily into profits in the final quarter of 1929, as costs incidental to initial production were written down to a very conservative figure out of earnings, instead of employing any of the reserve for this purpose. Another non-recurring expense in the final quarter was the operation of the Dayton plant at half time in December in order to aid employees, although business was at a standstill. While earnings for the March quarter of the current year are expected to be lower than for the corresponding period of 1929, it has been officially announced that a gradual improvement throughout the year is looked for. Foreign business has already shown considerable improvement, with a gain in sales of 12½% in January over the same month of 1929. Domestic sales fell off in January but showed improvement in February. We counsel retention of National Cash Register common for the longer term, believing the future outlook for the company to be distinctly favorable.

CENTRAL ALLOY STEEL CORP.

Last October I bought 50 shares of Central Alloy Steel common at 52. Recently I deposited my stock as required in the proposed Republic Steel Corporation merger. Now I would like your frank opinion of the nearby prospects of this new organization assuming that the merger will be completed. Is it to be a long drawn out process before any tangible benefits result from the combine—as frequently happens?—O. R. A., Hagerstown, Md.

Combination of the Central Alloy Steel Corp., Republic Iron & Steel, Donner Steel and Bourne-Fuller Co., into the Republic Steel Corp. has raised the new company into the important position of third ranking organization in the steel industry, with the possibility that the present company is but the forerunner of an even more powerful grouping. The products of the new organization will be well diversified including tube, sheet, tinplate, "stainless steel," forging and alloy steel, bolts, nuts, rods, etc., in addition to the basic products. It necessarily will take considerable time and money to fully consolidate the various units of the Republic Steel Corp. into a well rounded organization, but the new company is a potential force of importance in the steel industry and its success seems assured. An idea of the possibilities of the enterprise may be gained from the combined income account of the constituent companies for the first nine months of 1929 which disclosed a net profit of $18,168,160, equivalent to $33.03 per share on the preferred

stock to be outstanding, and to $7.91 on the new junior shares. Economies resulting from closer working conditions, and elimination of duplication of efforts should result in gradual upward trend in earnings. We are confident that you have improved your investment position by depositing your Central Alloy Steel stock, and are of the opinion that patience on your part will be rewarded.

GULF STATES STEEL CO.

Has the recent rise in Gulf States Steel common discounted the news of the rumored merger with American Rolling Mill? Shall I take a profit of 10 points on 50 shares of Gulf States or hold on awaiting developments? Can you give me any definite information concerning this merger?—L. G. H., Savannah, Ga.

The Gulf States Steel Co. has been connected by rumors in the recent past with two larger companies operating along similar lines; one of which is the newly formed Republic Steel Corp. and the other is the American Rolling Mill Co. For some time it has been understood that the Republic Co. was buying into Gulf and at last reports had acquired a 20% interest. More recently, the American Rolling Mill Co. was said to have started active negotiations to lead to a merger with this company. It was reported that considerable progress had been made, and it is possible that if a mutually satisfactory basis for an exchange of stock could be arrived at, directors of the two companies would ask stockholders to approve the combination, possibly within the next few weeks. In the event that either of these companies acquired Gulf, the consolidation should prove beneficial to stockholders over the longer term and we believe it advisable to retain present commitments awaiting further developments.

CHILDS CO.

Do you think the current market price of Childs common has fully discounted the progress of the company during the last half of 1929? This is my conclusion for the stock is selling over 25 times its last year's earnings. Would you approve taking a paper profit of over $500 which I have on 40 shares?—N. S. G., Elizabeth, N. J.

Childs Co. gross and net earnings for the final quarter and the full year 1929 reflected distinctly the policies put into effect showing the change of management last year. These policies included a program to build up gross business, to reduce expenses, to eliminate non-paying units and establish new units in promising neighborhoods. For the year ended December 31st, 1929, net profit was $1,277,138, equal to $2.56 a common share. This compares with $1,002,425 in the preceding year (including $1,057,059 profit realized from sale of Savoy-Plaza Corp.) or $1.80 a share on the outstanding stock. Without this profit, the 1928 year would have closed with a net loss of $54,630. Business thus far in the current year has shown a good increase over the corresponding time a year ago and there is every reason to look for a maintenance of this situation throughout the year. The increase in sales in the recent past has been in reflection of the combined results of revising and enlarging the company's menus, particularly the inclusion of a larger amount of meat dishes and an extensive newspaper advertising campaign. A substantial increase in earnings is anticipated for 1930 and with a continuation of the present favorable operations are expected to nearly double those of 1929. However, the common shares at existing levels apparently discount the expected improvement for the immediate future and unless you are prepared to treat your commitment as a long pull proposition and hold with a disregard for intermediate market fluctuations, we would be inclined to suggest acceptance of the profit which you now have available.

BEST & CO.

In anticipation of the coming Easter season can I reasonably look forward to a run-up in Best common which will raise it to my purchase price of 54? What, in your opinion, has retarded the market action of this stock considering its satisfactory preliminary report for last year? Shall I continue to hold?—R. B. S., Poughkeepsie, N. Y.

Best & Co., operating a specialty department store in New York City with various suburban branches, reported for the year ended January 31st, 1930, net income of $1,279,000, equal, after preferred dividends to $4.20 a common share. This was an increase of 27.5% over the net of $1,003,900 for the previous year or $3.26 a common share, adjusted for the 2 for 1 stock split last Fall. Sales increased 9% over the 1929 period and were reported at $14,614,183. Specializing in quick sales of ready-to-wear apparel and novelties, the company was apparently less affected by the recession in trade activity than many department store enterprises. Best is continuing to expand gradually by the opening of small stores in suburban centres, in addition to its branches at the summer and winter resorts. The possibilities of these stores seem greater than is generally realized and in view of the low overhead outside of New York, increased earning power from this source may in

time be substantial. The outlook for department stores as a whole, is not particularly promising for at least the first half of the current year, although there is little evidence that the stock of goods on hand is excessive as past conditions gave ample warning of less active business to come. There is small probability, therefore, that the majority of such organizations will have to assume losses on mark downs such as were incurred occasionally in former years. While we see nothing in the existing situation to warrant materially higher prices for the shares of Best & Company in the near future, the issue appears to offer better than average possibilities in the department store group. Where investment holders are willing to retain with a reasonable measure of patience, such course would seem wholly advisable.

GENERAL BAKING

I am holding 200 shares of General Baking preferred stock and 50 shares of common. I realize that both issues are highly speculative but have felt justified in taking some risk for the high yield which the preferred dividend gave me. Now, however, I feel quite concerned as to the safety of the present $6 rate on the preferred, especially so after reading the company's disappointing annual report. Do you advise me to sell my holdings or is there some prospect of improvement this year? —S. K. N., Terre Haute, Ind.

In contrast with earlier estimates indicating net earnings of upwards of $8,700,000, the General Baking Corp reported net income amounting to only $6,439,800 for the year ending December 28th, 1929. This showing was particularly disappointing in the light of the encouraging improvement shown in the first 37 weeks of the past year, during which period profits gained $1,175,000 over the corresponding period of 1928. Last Fall, the price of the company's principal product, "Bond Bread" was reduced, under the stress of strong competition, and this action apparently accounts largely for the sharp falling off in earnings for the last 15 weeks of the year. At the close of the year, there were 992,980 shares of preferred and 3,473,360 shares of common stock outstanding and on this basis earnings were equivalent to $6.48 and 14 cents per share respectively. These results compare with $6.86 and 46 cents earned on the preferred and common stock in 1928. The burden of taking care of plant expenditures totaling nearly 5 million and the maintenance of dividends on the preferred made it necessary for the company to resort to borrowing and the year end balance sheet revealed bank loans of 2 million dollars. Cash, which amounted to $5,322,000 in 1927 has been successively depleted and amounted to only

$1,733,930 at the close of 1929. As a consequence, there was an excess of current liabilities over current assets totaling $424,574. The necessity of correcting this situation strongly suggests the probability of an adverse change in the preferred dividend rate. The company is undoubtedly one of the most important units in the baking industry and enjoys the distinction of being the most efficiently operated system. Competition and small profit margins, however, have made it difficult for the company to satisfactorily support its rather large stock capitalization, with the result that common shareholders have never received a dividend and now the disbursements to preferred stockholders are in danger of being reduced or omitted. The outlook does not support an optimistic attitude and unless you are willing to speculate on the possibility of more stabilized conditions at some future time, we believe that your funds could be diverted to more profitable and encouraging channels.

WESTINGHOUSE ELECTRIC & MANUFACTURING CO.

Can you give me any definite information concerning the rumored split-up in Westinghouse common? I have 25 shares bought last October and can now get out about even. Would you recommend doing so, especially in view of the low yield, or shall I hold for 200? My broker tells me Westinghouse will reach this point on its present move. What is your opinion?—V. T. L., Reading, Pa.

Intensive cultivation of international relationship and markets has featured Westinghouse's progress in recent years and as the second largest factor in the American electrical manufacturing industry, experienced its best year of operations in 1929. Net income is estimated to have been in excess of $26,500,000, after all charges or about $10 a share on 2,665,315 shares of combined preferred and common stocks outstanding. The additions to surplus last year will probably bring that item above $80,000,000. Rumors have been put forth from time to time regarding a split-up of the shares but in the absence of official confirmation no definite substance is given to this factor. However, it is generally conceded that in view of the large surplus, stockholders are in line to be rewarded, although they may be called upon to exercise patience. In any event, the longer term outlook for the company is excellent and with its sound position in the industry, Westinghouse may be reasonably expected to continue the gains in earnings indicated for 1929. In addition to enlarging the sales organization the company has made rapid strides in developing manufacturing facilities and during 1930 will spend $10,000,000 for this purpose. The growth of the electric light and power industry opens up a continually expanding field, and demand from radio and aeronautical industries is increasingly important. While the shares at existing quotations afford only a nominal income return, the outlook holds abundant promise and retention over a period of time should bring satisfactory results.

UNITED STATES RUBBER CO.

Does the dubious outlook which many forecast for the automobile industry indicate that 1930 will be another poor year for the United States Rubber Company? I have 50 shares at 45. What would you advise me to do—hold on, average or switch?—H. M. L., Joplin, Mo.

Indications are that the United States Rubber Co. just about broke even last year. Losses of between $1,500,000 and $2,000,000 on tires alone were largely made up by profit on footwear and mechanical goods. This showing, while disappointing is not regarded as unfavorable considering the loss of $10,731,000 reported in 1928, and may be accounted for largely by heavy expenses entailed in consolidating manufacturing operations, the drop of crude rubber prices, and the sharp falling off in original equipment business owing to the curtailment in automotive output. Financial position, however, is strong with approximately $11,000,000 cash on hand against which there are bank loans of only about $2,000,000. The weakness in the situation is the company's large bond and preferred stock capitalization. The $18,336,000 of 7½% notes falling due next August may be refunded by a new issue bearing a lower interest rate although a definite plan has not been announced. Conditions in the rubber industry are rather unsettled with productive capacity in excess of demand, and while it is too early to gauge the outlook for the current year, it is expected that as demand catches up with supply, the price of rubber will work back to a figure where it will yield the grower a fair margin of profit on capital invested. However, the present situation presents no insurmountable obstacles to the basic rehabilitation of the company and while holders may have to exercise considerable patience before realizing a profit on commitments made at higher levels, the experienced Du Pont management should go a long way toward assisting the company to produce profits more commensurate with its position in the industry. While the shares are speculative and additional commitments are not advised at this time the underlying factors supply a sufficient basis for

confidence to warrant retention of present commitments by holders to whom an immediate return is not a prime consideration.

"Personally I Agree with Mr. Valiant"

(Continued from page 779)

definitely stated interest yield. But there lay before us the promise of a fixed income until the bonds matured with the prospect of a profit or loss as a result of market fluctuations if the bonds were sold before maturity. For some reason not stated, he was among those "who were forced to cash in their Liberties at a 15-point discount;" whereas I sold mine at a 3-point premium.

Investments for Income or Profit

Now it may be of interest to readers of the BYFI Department to learn that, so far as I was concerned, the question of profit or loss never entered into my calculations. My bonds were registered with the Treasury Department, were placed in my safe-deposit box, and were then practically forgotten. The income therefrom was received every six months by Government check. How much Liberty Bonds fluctuated in price on the market I neither knew nor cared as these fluctuations did not and could not in any way affect their yield. When the time came for me to buy a home as another permanent investment, then I sold my Liberty Bonds for this purpose because they happened to be the security bringing in the lowest income. The bonds were sold through the Federal Reserve Bank of Atlanta, but not until the checks were received did I know their quotations on the market. This experience substantiates precisely the contention of Mr. Valiant, namely, that if one buys bonds or stocks for income primarily he is not concerned with market fluctuations.

I notice indications in Mr. Hand's article of a tendency to agree with this point of view. He says that he is "in favor of common stocks for long-term investment"; also that he believes "one is able to get better results from an investment in good strong common stock issues held for permanent retention." But his nearest approach to it is in the next to last paragraph where he says:

"Undoubtedly there is a tremendous number of investors who . . . confidently expect the next major movement in stock values to carry their holdings to even better prices than last year, *with larger incomes paid out of growing corporate earnings.*"

This states the entire situation very concisely and differs hardly at all from Mr. Valiant's own position, namely: (1) That the prices of bonds and stocks are determined by market fluctuations which may result in profit or loss; and (2) that incomes on either bonds or stocks are paid out of corporate earnings.

Bonds and Stocks for Investment

The only remaining point to be stated is that these two results are absolutely independent of each other. Hence it is not a question of bonds versus stocks, but of bonds *and* stocks for investment.

Finally, in this connection let me call attention to the table at the bottom of the page on which Mr. Hand's article closes. This table (see page 781) contains BYFI's recommendations for investment. It lists both bonds and stocks with their recent prices and estimated yields. I have gone back over the issues of THE MAGAZINE OF WALL STREET to June 1st, 1929, and have been surprised at the slight variations in the prices and yields of these securities. Therefore, why not take advantage of the advice there given? The best financial magazine in the United States steadfastly advises the purchase of both types of security for permanent investment because as such they "will ultimately provide a sound backing of income-producing securities, affording safety of principal, fair return, and offering the protection diversity."

All I will add to this is that, if one will purchase bonds and stocks of the kind there listed and hold them as permanent investments for income, the storms of the stock exchange will be of no concern to him whatsoever, for they can in no way affect the yield of income on his securities.

Income Tax Department

(Continued from page 786)

share of the transaction and make notation on his tax return that the matter was handled as above stated? L. A. F.

A. The name in which an account is kept is relatively immaterial. It is the actual ownership that counts and returns should be made out by the owners accordingly. You can call at-

tention to the facts on your return, as you suggest.

Depreciation on Trust Property

Q. In the administration of a trust fund by a trust, the income of which is paid to an individual for life, may the individual take the depreciation on capital assets as a deduction from income? E. S.

A. The allowable deduction for depreciation is apportioned between the income beneficiaries and the trustee in accordance with the instrument creating the trust, or in the absence of such provisions, on the basis of the trust income allocable to each.

Accordingly, if there are no contrary provisions in the instrument creating the trust and the individual in question receives all the income of the trust, he may take full depreciation on the capital assets held by the trust as a deduction from his income.

Tax on $20,000

Q. Can you give me an estimate of how much Federal tax I will have to pay on a net income of $20,000 in both normal and surtax. T. R. H.

A. The tax will be about $600.

Husband and Wife Living Apart

Q. I have enjoyed reading your discussion of income tax matters. May I ask what are the rules affecting exemption for married people when they are living separately and the husband is paying the wife a stated sum yearly and keeping up insurance in her favor under a separation contract? A. E. S.

A. When husband and wife are separated they are each entitled to the exemption of an unmarried person; that is, $1,500.

Listing Stock Details

Q. In reporting stocks, I have only given the actual loss, incurred in the stocks sold, the difference between the cost of the stocks plus the dividends less the amount sold for, which was the actual loss. Was that O. K.? I did not mention the stocks, but just give it in as losses on New York stocks. G. L.

A. It is not necessary to list each of your stocks. All that is required on the return is the total cost of the stocks sold, the amount for which they were sold, and the resulting profit or loss.

Three Children Supporting Mother

Q. A friend of mine lives at home with his mother and one sister and one brother. All three contribute to the support of the home, although my

friend turns in more than the others as he earns more. Is it possible that he can claim exemption as head of the family even though his brother and sister contribute a little to the support of the home? H. G.

A. The mother would have to be chiefly dependent on the person claiming the exemption. This has been held to mean that more than 50% of the amount required for her support must be paid by the head of the family; otherwise, the exemption is not available.

Tax Free Covenant Bonds

Q. What is the meaning as regards an income tax payer when a bond issue states it will pay a given per cent without deduction for any normal Federal income tax to an amount not exceeding 2%. E. A. Z.

A. Where a bond contains the provision referred to, the debtor corporation pays to the Government the income tax for the bondholder up to 2% of the amount of the interest. The bondholders, therefore, can take credit in his return for the tax already paid in that way.

Loss of Rents

Q. Am availing myself of the service offered to inquire about reporting a loss on rented property on the income report. We own a building. The building has been vacant since March 15th, 1929. May I include in the loss the income that I should have received, had the building been rented? E. J. S.

A. You cannot deduct the amounts you might have received as rent but didn't. The fact that you have no rents to report already decreases your tax. To get a deduction for not reporting rents would be to double the loss.

Undrawn Officer's Salaries

Q. A corporation pays its officer say $10,000, but he actually withdraws only $6,000, the balance appearing on the company's books as a liability. Must the officer report on his individual return $6,000 or $10,000? Is the company, having charged $10,000, to its expense account, allowed to deduct this amount from its tax report, in spite of the fact that the officer has actually only withdrawn $6,000? W. J.

A. Where the corporation reports on an accrual basis, it is permitted to deduct the $10,000, even though the officer has drawn less than that. On a cash basis, only the amount actually or constructively paid can be deducted. So also in the case of the officer if he prepares his return on an accrual basis he is required to report the $10,000 earned by him, whether or not actually drawn. If he reports on a cash basis, then he need only return the $6,000, unless the other $4,000 is constructively received by him. To be constructively received, the other $4,000 must be unrestrictedly available to him from the corporation at the end of the year, and the corporation must be in a position to pay it on demand.

Return for Deceased

Q. In the event of death of an individual prior to date income tax report is due, is it in order to ignore forms mailed to party who had died? T. P. K.

A. The return must be filed on behalf of the deceased by the executor or administrator covering the income from the beginning of the year to the date of the death.

Profit on Stocks Bought Back

Q. I sold 1,000 shares of stock at $68 per share, a total of $6,800 and bought back at $20, or a total of 3,400 shares, in the same year. Do I show a profit on the $68,000 or do I wait until I sell the 3,400 shares which may be a year hence? C. T.

A. The profit on the $68,000 must be reported. The mere fact that the same stock was repurchased at less than what it was sold for does not eliminate the profit made on the prior sale.

Patent Royalties

Q. Will you please explain how monies received for Patent Rights or for Royalties are to be treated on Income Tax Reports. C. L. T.

A. Royalties from patents must be reported as income. You have the right, however, to deduct depreciation on the patent, which is normally 1/17th of the cost of the patent.

Employee Abroad

Q. I would appreciate your informing me if I have to file an income tax return, and if I have to pay a tax on any or all of my income. I am an American citizen employed by an American company in Cuba. My work keeps me in Cuba all year except for about six weeks' vacation in the United States. In addition to my salary I have an income from investments in stocks of American companies, out of which I pay interest on money borrowed to help acquire said stocks. W. F. M., Jr.

A. The income from your investments is taxable. Your salary, however, is not taxable if it does not ex-

LOW-PRICED STOCKS?

What possibilities do these stocks offer now —at these prices—

Willys-Overland 9¾?	Schulte Retail 8¾?	United Cigar S. 6¼?
Com. & Southern 17⅜?	Ward Baking B 6?	United Gas Imp. 39?
Armour B 3?	Norwalk Tire 1?	Fisk Rubber 3½?
Amer. Agr. Chem. 7¾?	Martin Parry 3?	Reo Motors 14?
American Piano ⅝?	Radio-Keith-O. 31?	Pierce Petroleum 3⅛?
Remington-Rand 39?	Pressed St. Car 14⅜?	Continental Oil 21¼?
Radio 48½?	Nat'l Pwr. & Lt. 41⅝?	Chrysler 38½?

Note this possibility in low-priced stocks

In February, the 18th, '27, American Securities Service recommended the purchase of Electric Power & Light @ 17. Certain high-priced stocks have advanced more in POINTS since, but—which, after all, is important, number of points advance or PER CENT OF PROFIT ON THE MONEY USED? Note here the actual showing made:

Stock	Price Feb. 18 1927	Price Mar. 3 1930	Profit Made Points	Profit Made Profits (Margin 50%)
Atchison	172	232⅝	60⅝	70%
Southern Railway	125¼	129¼	4	6%
Chesapeake & Ohio ...	161½	232¾	71¼	88%
Allied Chemical	141¾	274	132¼	186%
Average four leading high-priced stocks.	...	....	....	87%
Electric Power & Light .	17	64½	52¼	614%

What makes any stock, either high-priced or low-priced, really attractive?

Low-priced stocks, on account of the small funds required per share, may, even by a few points advance, show very large profits. On the other hand, many low-priced stocks are highly speculative, hence making profits in this field calls for the most careful selection.

Which particular low-priced stocks are attracive now?

These matters are analyzed in our recent bulletin. Thirty low-priced stocks are covered—from which our selections are pointed out. A few extra copies of this valuable report reserved for distribution, free, as long as the supply lasts.

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ceed the $30,000 earned income limitation. There is a special provision in the law exempting the salary of an individual derived from services rendered abroad for more than six months in the year.

Prior Depreciation and Profit on Real Estate

Q. Have sold a piece of real estate which I have held for 10 years. I have deducted 2% for depreciation some years, other years none, it being a brick building. In figuring income tax will I have to add depreciation for years that I did not take it to selling price? D. A. S.

A. Prior years' depreciation will have to be considered, even though you did not claim it. The law says that the amount you could have taken as depreciation must be regarded in determining the profit not merely what was actually taken.

Machinery Fully Depreciated

Q. Recently I have heard much discussion as to Reserve for Depreciation Account. For instance, machinery is depreciated 10% per year. At the end of ten years, what then? J. S.

A. Depreciation at 10% per annum for 10 years amounts to 100%, so that the cost is fully recovered. After that point no more depreciation is to be taken on that particular machinery.

Net Income

Q. Is net income the gross income less expense of his business only, or can one deduct contributions to church and charity and exemption for dependents to determine net income? F. M. F.

A. Charitable contributions are deductible in arriving at net income up to 15% of the income. In computing the tax, the exemption for dependents is deducted from the net income previously determined.

Property to Son

Q. I give to my son a property, taking no money, nor do I ever expect to be paid for same. He pays me during my life 6% interest on a note for same. Do I have to enter as profit for this year's income, the difference between the value of land 15 years ago, when I bought it, and amount of mortgage taken from him, which is greater than the cost of the land to me. T. K.

A. It is not clear whether you have sold the property to your son, or purchased an annuity from him. On the basis of a sale, you have no income to report (except for the 6% interest) since you received no cash from the sale. If it is an annuity, you will not have to report even the 6%, until the total amount received by you exceeds your cost of the property, including the 6% items.

Joint Account Profits

Q. I am in partnership with another party in a series of stock market commitments. My partner insists that since this is a partnership, our income should be only reported as the amount we have actually drawn down in cash from our account. But I contend we must report our profitable completed trades which aggregate a far larger amount. We are anxious to receive your reply on this question. R. B. H.

A. It is the actual profits in the account and not the amount that is drawn out by you that must be reported in your tax return.

Stock Dividend

Q. In the matter of sale of stock which has been issued as a stock dividend, shall the proceeds of such sale be considered as profit on that particular stock and reported as such, or can it be considered as a dividend which is not taxable? L. Y. G.

A. Neither method suggested by you is correct. A stock dividend is regarded as a division of the original holdings. The cost of the old stock is accordingly prorated over the old and new stock. Selling the stock received as a dividend is the same as selling the old stock. Gain or loss is determined on the difference between the sales price and the adjusted cost per share.

Income of Father and Son

Q. My father (widower) and I (bachelor) own real estate in joint tenancy. Can I report my share of the rental separately or must I report with father? A. J. B.

A. You do not make a joint return with your father. Joint returns apply only in the case of husband and wife.

Cash and Accrual Basis

Q. A partnership has in the past made income tax reports on the accrual plan and now wishes to change to a cash basis. What is the procedure, if any, for changing? Also, does the cash basis report only such business transaction as are actually paid for? H. W. G.

A. In order to change from an accrual to a cash basis, it is necessary to apply to the Commissioner of Internal Revenue and secure his permission. On a cash basis, income and expense is reported only when occurring in the

form of cash receipts or disbursements or their equivalent.

Sales as Gross Income

Q. When one has a retail business, what is designated as "Gross Income"? Will my sales be considered as gross income? J. C. W. L.

A. The $5,000 requirement has reference not to the sales, but to the gross profit from the sales. In other words, the cost of what was sold is applied against the sales price and it is only the difference between the two that enters into the computation of the $5,000 amount.

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
7%	All'd Chm. & Dye pfd..	1¾%	Q	3-8	4-1
$8.00	Am. Locomotive com.	$2.00	Q	3-13	3-31
7.00	Am. Locomotive pfd..	1.75	Q	3-13	3-31
9.00	Amer. Tel. & Tel....	2.25	Q	3-14	4-15
6.00	Am. W. W. & El. pfd.	1.50	Q	3-12	4-1
7.00	Armour (Ill) pfd.....	1.75	Q	3-10	4-1
7.00	Armour (Del.) pfd....	1.75	Q	3-10	4-1
8.00	Bell Tel. of Canada..	2.00	Q	3-22	4-15
7.00	Bush Terminal pfd...	1.75	Q	3-14	4-1
0.28	Cities Service com....	.02⅓	Mo	3-13	4-1
Stk.	Cities Service com...	⅙%	Mo	3-13	4-1
6.00	Cities Service pfd....	.50	Mo	3-13	4-1
6.00	Cities Service pfd. BB	.50	Mo	3-13	4-1
.60	Cities Service pfd. B	.05	Mo	3-13	4-1
6.00	Coca-Cola com.........	1.50	Q	3-12	4-1
6.00	Colgate-Palm.-P. pfd.	1.50	Q	3-10	4-1
2.50	Colgate-Palm.-P. com.	.62½	Q	3-20	4-15
1.00	Com. Solvents com....	.25	Q	3-10	3-31
Stk.	Com. Solvents com....	2%	—	3-10	3-31
7.00	Crucible Steel pfd.....	1.75	Q	3-15	3-31
6.00	Deere & Co. com......	1.50	Q	3-15	4-1
Stk.	Deere & Co. com......	1½%	—	3-15	4-15
8.00	Detroit Edison	2.00		3-20	4-15
5.00	El. Stor. Bat. pfd...	1.25	Q	3-8	4-1
5.00	El. Stor. Bat. com...	1.25	Q	3-8	4-1
7.00	Fdl. Wtr. Ser. $7 pfd.	1.75	Q	3-14	4-1
6.50	Fdl. Wtr. Ser. $6.50 pfd.	1.62½	Q	3-14	4-1
1.50	Fdl. Wtr. Ser. $6 pfd.	1.50	Q	3-14	4-1
1.00	Glidden Co. com......	.50	Q	3-12	4-1
Stk.	Glidden Co. com......	1%	—	3-12	4-1
7.00	Glidden Co. pr. pfd...	1.75	Q	3-12	4-1
7.00	Goodrich pfd.	1.75	Q	3-15	4-1
2.50	Houdaille-Her. A.	.62½	Q	3-20	4-1
2.00	Houdaille-Her. B. ...	.50	Q	3-20	4-1
5.00	Hudson Motor	1.25	Q	3-11	4-1
6.00	Int. Bus. Mach........	1.50	Q	3-22	4-10
2.50	Int. Harvester com....	.62½	Q	3-20	4-15
7.00	Inter. Silver pfd......	1.75	Q	3-12	4-1
7.00	Liggett & Myrs pfd..	1.75	Q	3-10	4-1
3.00	Loew's Inc. com......	.75	Q	3-14	3-31
7.00	Mo.-Kan.-Tex. pfd. ..	1.75	Q	3.15	3-31
7.00	Nat. Biscuit com......	1.75	Q	3-20	4-15
5.00	Nat. Lead com.......	1.25	Q	3-14	3-31
ext.	Nat. Lead com........	3.00	—	3-14	3-31
2.00	Phillips Pet. Capital.	.50	Q	3-14	4-1
7.00	Republic I & S pfd.	1.75	Q	3-12	4-1
5.00	St. L. So. West. pfd.	1.25	Q	3-12	3-31
2.00	Sinclair Consol. com...	.50	Q	3-15	4-15
5.00	Under.-Elliot-F. com..	1.25	Q	3-12	3-31
7.00	Under.-Elliot-F. pfd. .	1.75	Q	3-12	3-31
1.60	U. S. Gypsum com....	.40	Q	3-15	3-31
7.00	U. S. Gypsum pfd....	1.75	Q	3-15	3.31
7%	Ward Baking pfd....	1¾%	Q	3-17	4-1
5.00	Westingh. El. com...	1.25	Q	3-11	4-30
5.00	Westinghouse El. pfd..	1.25	Q	3-11	4.30
2.00	White Motor com.....	.50	Q	3-12	3-31
7.00	Willys-Overland pfd...	1.75	Q	3-18	4-1
3.00	Wrigley, Wm., Jr....	.25	Mo	3-20	4-1
5.50	Youngstown S.&T. pfd.	1.37½	Q	3-14	4-1
5.00	Youngst'n S. & T. com.	1.25	Q	3-14	4-1

Investment Trusts After the Storm

(*Continued from page 751*)

issues. That is a realm of development that remains to be explored, and it holds probabilities of greatly enhanced income for well-managed companies in the future.

It is perhaps fair to say that a structural defect in most of the American investment trusts is the small percentage of common stock. Rude persons would call this financing on a shoe string. The organizers put in nothing but fair words and reputation and the common stock was a gamble, with little or no equity except in the future—and nothing to land on when gravity got its chance.

There has been some criticism of own-share buying as tending, if the price is above liquidating values, to decrease the net asset value of the outstanding shares. There was a natural temptation to resort to pegging sagging quotations in this manner. But at prices below liquidating values such purchases increase asset values of stocks and at the same time tend most legitimately to bolster a sagging market.

Responsibility for Market Action This is an appropriate place to mention briefly the retrospective view of the investment trusts in relation to the bellowing days of the bull market, its collapsing groans and succeeding coma. It is true that the investment trusts did not intentionally support the market to any extent. That was not their business, indeed it was utterly inconsistent with the rightful policy of serving their shareholders by liquidating their holdings at or near the top. On the other hand, their obligations to their shareholders were consistent with pouring their resources into the market in the plunging days of October and November. They might, and some of them did, wait in a pure spirit of immediate selfishness for a bottom that might have spelled a universal panic. But generally they found it good self-interest policy to throw their vast cash resources into the market at a time when prices were most attractive, not only for bargains but to prevent a devastating national commercial collapse from which they would have suffered for years to come.

Certain companies that are not of the true investment type undoubtedly did try to some extent to stabilize the market before the crash because of promptings of their peculiar affiliations, and they were probably quicker to rush to its support than the others.

As to responsibility for a pinnacle market from which there was no way down but a straight drop, if we use the term investment trust in a loose and broad sense, it must be judged that the group was responsible to a considerable degree. Using the term in a narrower sense, however, we find that diversification of placing—in bonds, in preferred stock, in foreign securities and call loans—left small margin for bullish operations at home. Even so, this type of company was frequently cashing in as far back as last summer and putting itself in shape to approach the bargain counter with gusto and funds. The others rode as gallantly and as blindly to the summit as the petty speculator and today are sharing his remorse and discomfiture. It should be said, however, that newer companies, even of the supposedly more conservative pattern, were more intent on financing than investing and were industriously contributing last year to market inflation by promotion policies that brought them funds but woe to the investors, sad days and many for their companies and an enduring black eye for the whole investment trust movement. Nothing but another bull market can restore them to operating solvency, and as for investment income they are hopelessly stranded.

A Body Blow As a whole, cats and dogs and higher degree together, the investment trusts have suffered a crushing blow to prestige.

That their issues should fall further and rally more slowly than the general run of stocks was exactly the reverse of prospectus doctrine, which emphasized stability of assets and more than average investment sagacity. That for the most part there is no rational justification of what happened does not detract from the stark fact.

The general trust investment situation today is that the basic idea has suffered great discredit—discredit that it does not deserve; that a vast number of investors who had reason to believe that they were pursuing a conservative course have suffered tremendous paper and actual losses and are in a sadly impaired investment position, from which they may never be rescued. On the other hand managers have been taught a lesson in the harsh school of experience that they would never have learned from the books and similar British experience. The public, too, has learned that "investment trusts" is a category that covers sheep and goats alike. Moreover, it now has access to the means of determining the species of the individual company. The wise investor must know his trust. The investment trusts now enter the phase of solid reconstruction. The best of them have little to do, the worst will dissolve or be regenerated. For the prudent investor the investment trust is now in the age of opportunity. It is really starting now on its proper career and course.

Lagging Prosperity of Raw Material Producer Basis of Latin-American Difficulties

(*Continued from page 759*)

About 70 per cent of the export trade of Brazil is concerned with coffee which has declined rapidly of late. How it will dispose of its huge carryover, almost a year's supply, is a problem. In the meantime, the immediate financial problems of depreciated exchange are being met with energy, and the important currency and banking law passed December 18th, 1926, for the stabilization of the milreis around 12 cents is expected to demonstrate its soundness in the face of emergency, even with the shrinking trade balances now being shown.

Chile's vigorous administration has achieved great things in balancing the budget and making it less dependent on the nitrate business. Last year, for the first time, income taxes were relied on to produce more revenue than nitrate which formerly produced 75 per cent of total revenues. In the meantime, a year's supply of this product has accumulated, and it is estimated a 25 per cent increase in consumption will be needed to relieve the situation. Last year set a new high record for output of copper and nitrate, but with respect to the latter, low prices and voluntary restriction will, it is believed, help keep supplies down to manageable levels, in conjunction with the steady world trend toward increasing consumption.

An important currency revaluation and stabilization bill is pending in Peru, and is expected to prove a great constructive force in relieving the economic situation. Exports are becoming more diversified, petroleum accounting for 36 per cent, copper for 17 per cent, cotton 21 per cent and sugar 12 per cent

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

NATIONAL BANKS	Bid	Asked
Bank of America, N. A. (4.50)	127	129
Chase (4.00)	161	163
Chatham & Phenix (4.00)	125	127
Chemical (new) (1.80)	79	81
City (4A) (new)	243½	245½
First (N. Y.) (100A)	5550	5650
Public (new) (4)	129	131
TRUST COMPANIES		
Irving Trust (1.60)	57	59
Bankers (new) (3)	146	149
Bank of N. Y. & Trust Co. (20)	680	695
Brooklyn (30.00)	790	800
Central Hanover (new)	343	347
Empire	77	80
Equitable (3.00)	114	116
Guaranty (20)	732	736
Manufacturers (6)	145	147
New York (new) (5)	263	267
United States Trust (70)	3250	3400
STATE BANKS (NEW YORK)		
Corn Exchange (4.00)	207	211
Manhattan Co. (3.20)	129	131
United States	3250	3400
INSURANCE COMPANIES		
Aetna Fire	61	63
Aetna Life (new) (1.60)	85	90
Continental (1.60)	37	39
Glens Falls (2.10)	57	60
Globe & Rutgers (24)	1075	1125
Great American (1.60)	34	36
Hanover (1.80)	51	53
Hartford Fire	76	79
Home (new) (2)	46	47
Carolina (1.50)	32	35
National Fire	67	71
North River (2.50)	60	63
United States Fire (2.40)	70	73
Stuyvesant (3)	60	70
Travelers (22)	1460	1500
Westchester (2.50)*	57	60
SURETY AND MORTGAGE COMPANIES		
American Surety	115	118
National Surety	86½	88
Lawyers Mortgage	51	53
Mortgage Bond (8)	193	203
JOINT STOCK LAND BANKS		
Chicago	8	12
Dallas (6)	80	86
Des Moines	2	6
First Carolina	5	10
Lincoln (4)	35	...
Southern Minnesota	1	4
Virginia (B)	¾	1¼
INVESTMENT TRUST SHARES		
American Founders Trust com.	26½	27½
Do 6% Pfd.	43½	47½
Do 7% Pfd.	49	52
Diversified Trustees Shares	23½	...
Do Series B	20½	21¼
Fixed Trust Shares A	20⅝	...
Insuranshares, ctfs.	14	16
Interl. Sec. Corp. of Amer., B	29	32
Do A	59	64
Do 6% Pfd.	80	88
Second Intl. Securities A	39	42
Do—6% Pfd.	40	44
Shawmut Bank		
U. S. & British Internl. B	13	16
U. S. Shares, Series A-1	13¾	15¼

(A) Including div. wherever paid by Securities Companies in some cases. (B) Par $5. * Including extras. (X) Ex-rights.

of the total. As of the middle of last year the Peruvian Reserve Bank had in gold 4,944,000 Peruvian pounds, providing a gold cover of approximately 78 per cent, and affording a sound basis for stabilization.

Colombia is in strong financial position, but opinion has been widely expressed that overconcentration of recent years in coffee production, taking advantage of the support offered by Brazil in the world market, and heavy borrowing by provinces, municipalities and institutions, with the consequent freezing up of capital at a rapid rate in public works, have speeded up development at an abnormal rate, and that slackening down for time should actually prove beneficial.

The steady progress of Venezuela in the past twenty years under the guidance of a dictator who is believed to be retaining a place of dominating influence in the present administration, has resulted in a sixfold expansion of export trade while public debt has actually been reduced substantially. Industrial development is rudimentary, but promising, and while the present world situation in the oil industry does not lend much hope for an early development of the country's petroleum resources to anything like their full capacity, they are contributing in an important way to the national prosperity.

Ecuador has been hit badly by a short crop of cacao due to infestation, and is having difficulty in meeting West African competition for world markets in this commodity. Its other products, notably coffee and sugar, are in unfavorable market situation, and the financial situation is understood to call for strong measures of rehabilitation which are being promised.

Bolivia's mineral wealth, consisting of tin, silver, bismuth, antimony, copper, lead, zinc and tungsten, accounts for 91 per cent of her exports. In spite of depression and low prices in some of these industries, others constitute indispensable resources not found elsewhere except in limited quantities, and an optimistic attitude is fully justified.

Cuba, producing 15 per cent of the world's sugar, and practically all of its distinctive quality of cigar tobacco leaf, has been hard hit in a business way in both its major lines. It is nearly two years since sugar has sold consistently at more than two cents a pound, cost and freight included, a price recognized to be below the cost of production of the bulk of the commodity. In addition, over 40 per cent of last year's crop of Vuelta Abajo tobacco, of representative grade, is understood to be unsold, and may weigh down the market this year. Under the circumstances, it is not surprising that the country is marking time, rather than making progress, but an improvement in the values of its two major crops, and with it of the purchasing power of the country, should be purely a matter of time and elimination of excess commodity supplies, through the operation of well-known economic laws.

In Mexico the financial situation, weakened through the steady shrinkage in oil production, is further complicated by the familiar political difficulties, but the more friendly to this country and to foreign capital in general give reason to hope that the magnificent resources of the country in agriculture, mineral wealth, and potential industrial development, will find it possible to unfold under the present regime as freely as under that prevailing years ago.

Insurance Department

(Continued from page 777)

would have to apply to their home office.

You understand of course that when the agent offering an *ordinary life* policy paid up in 19 years, he is assuming that by applying the annual dividends towards such purpose the premiums, instead of being payable throughout the lifetime of the insured, would be restricted to such period of years. While this result can doubtless be accomplished if the present dividend schedule continues into the future, you will of course understand that the amount of these annual dividends is not guaranteed in advance, and any statements regarding their amount or the time in which a policy can become paid-up by application of dividends towards that end can only be a matter of estimating.

The policy offered by Company A will be free from further premium payments at age 65; the policy of Company B is on the *ordinary,* or *whole,* life plan, under which the agent estimates that the policy will be paid up (by applying dividends to that end) in 19 years, or when you are 68 years old.

Under the endowment at age 65 the proceeds of the policy will be payable to yourself if you live to attain that age. Under the whole life policy, if dividends restrict the premium period,

(Please turn to page 814)

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Only at comparatively rare intervals do investors face so favorable an investment situation as exists today. Bonds and preferred stocks are still low in price and afford an excellent return, although an upward movement is already in evidence. Send for this 4-page folder which will furnish you with a wide range of securities. (687).

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A. G. Becker & Co. have just issued an attractively-prepared 24-page booklet containing a brief history and description of the business of this rapidly growing chemical industry. Send for 689.

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Send for a copy of the address given by Mr. Dwight C. Rose of Scudder, Stevens & Clark at the joint Annual Meeting of the American Statistical Association and The American Economic Association. This booklet particularly stresses some of the unfavorable factors to be considered in common stock purchases. Ask for 690.

BARNSDALL CORPORATION

1929 — Eleventh Annual Report — 1929

To the Stockholders:

The Eleventh Annual Report of Barnsdall Corporation and its Subsidiary Companies covering the year ending December 31, 1929, is submitted herewith.

CAPITAL STRUCTURE: There have been no material changes in the capital structure of the Corporation since the last annual report. All of the bonds of Barnsdall Corporation have been retired.

OPERATIONS: Overproduction of petroleum in the industry continued and stocks increased at a rapid rate throughout the year. Conservation efforts encountered serious resistance during the early part of the year. Toward the end of the year, however, production of crude petroleum was approximately balanced with consumption. The Refining Division of the oil industry is in an unsatisfactory condition, prices for refined products at the refineries being generally unfavorable. Because of the conditions existing in the refined oil markets, the Corporation's Refineries were operated during the past year at only about 50% of their capacity.

As a result of unstable conditions, operations of the Corporation have been carried on in harmony with "proration" programs in effect in various fields. As an instance of the Corporation's co-operation in this movement, the Barnsdall-Rio Grande properties at Elwood Terrace, Santa Barbara, California, have an actual flow of 48,000 barrels per day, but under the proration agreement only 20,667 barrels are being produced. Operations in other fields were also reduced to a great extent.

Competent engineers report the proven oil reserves under the properties of the Corporation to be greatly in excess of any heretofore reported.

Realizing the growing importance of retail and wholesale marketing outlets for the refined products of the Corporation, the distributing division facilities have been increased through purchase of an 85% interest in The Brownell Corporation, with headquarters at Sioux Falls, South Dakota. This unit operates twenty-nine bulk stations and thirty-six retail service stations in Iowa and South Dakota and is gradually extending its operations in line with the general policy of the Corporation. The Corporation has also added six bulk stations and twenty-eight service stations to its distributing system in the States in which it has heretofore operated, the total facilities in this department being as follows:

State	*Bulk Stations*	*Service Stations — Owned*	*Service Stations — Leased*	*Total Stations*
Arkansas	22	12	23	57
Illinois	9	5	5	19
Kansas	32	17	102	151
Missouri	40	11	120	171
Oklahoma	50	49	31	130
Total (Barnsdall) Stations	153	94	281	528
Brownell Corporation	29	28	8	65
Grand Total	182	122	289	593

The Land and Geological Department has been active in protecting future operations of the Company. Due to expiration of leases, or as a result of drilling having indicated that the area would be unproductive, a total of 56,000 acres was surrendered. Carefully selected leases were purchased through the various

The several subsidiary companies produced the following products during the year:

Natural Gas (M Cu. Ft.)	8,831,810
Crude Oil—Net Barrels	10,067,105
Casinghead Gasoline—Gallons	22,736,652
Refined Petroleum Products—Gallons	122,324,704
Refined Petroleum Products (Coke—Tons)	7,726
Tripoli Sales (Tons)	17,123

Gross sales of all products for the year amounted to $31,285,004.14, an increase of $2,200,172.95. Net Income for the year after all expenses, including interest and taxes, amounted to $14,327,501.91, as compared with $10,717,092.47 in the preceding year. After deducting depreciation, depletion and development charges of $7,123,177.73 and adjusting losses applicable to minority interests, the balance applicable to the outstanding stock of the Corporation was $7,205,161.56, as compared with $4,039,861.00 for the preceding year. The net earnings for 1929 were equivalent to $3.20 per share on 2,247,602 shares (including 31,100 shares purchased by the Corporation during the latter part of the year), as compared with $3.13 per share on an average number of shares outstanding during the preceding year of 1,288,592 shares. All drilling and intangible development costs incurred during the year, amounting to $2,686,704.50, were charged against earnings.

Attention is called to the fact that reserves set aside out of earnings for the year for depletion and depreciation have been more than sufficient to cover all additions to property account during the year. The ratio of net current assets to net current liabilities on December 31, 1929, was 4.36 to 1.

The average price received by the Corporation for its crude production in 1929 was $1.42 per barrel, compared to $1.38 in 1928 and 1927.

Other statistical data on the operations of Barnsdall which may be of interest follow:

Number of Employees	2,421
Number of Tank Cars Owned or on Purchase Contract	1,081
Autos, Trucks and Tractors Owned	438
Miles of Pipeline	468
Number of Pump Stations	19
Crude Storage Capacity (Barrels)	2,352,000
Refined Oil Storage Capacity (Barrels)	1,039,755

Stockholders of the Corporation increased during the last quarter of 1929 from 8,433 to 11,618—a gain of 38%.

Consolidated Balance Sheet and Statement of Income of Barnsdall Corporation, including all of its subsidiary companies fully owned or controlled, are appended.

E. B. Reeser, *President.*

By order of the Board of Directors,
M. C. Brush, *Chairman.*

prospective fields, aggregating 140,000 acres, with a net increase in unoperated

Consolidated Statement of Income

surrendered. Carefully selected leases were purchased through the various

M. C. BRUSH, *Chairman.*

prospective fields, aggregating 140,000 acres, with a net increase in unoperated acreage of over 80,000 acres as compared with that at the end of 1928.

During the year, subsidiary companies completed 111 wells, of which 70 were oil wells, 3 were gas wells and 38, unproductive. The daily average net production during the year 1929 was 27,581 barrels, compared with 25,919 barrels in 1928. Of the 1929 production, less than 1% was in the heavy oil class.

A summary of acreage and wells in which the Corporation and its subsidiaries owned interests on December 31, 1929, follows:

	Oil & Gas Wells	*ACREAGE* *Operated*	*Unoperated*
Arkansas	....	....	1,020.00
California	124	1,301.26	4,330.49
Indiana	13	172.00	......
Illinois	22	120.00	80.00
Kansas	136	2,692.00	150,326.37
Louisiana	....	......	215.00
New Mexico	....	......	29,775.00
Oklahoma	1,790	36,880.10	50,848.22
Ohio	184	3,301.04	826.00
Pennsylvania	291	4,355.50	139.25
Texas	177	4,519.08	91,583.84
West Virginia	316	22,527.93	4,030.24
	3,053	75,868.91	333,174.41

Consolidated Statement of Income

For the Year ending December 31, 1929

Barnsdall Corporation and Subsidiary Companies

Gross Operating Income		$31,285,004.14
OPERATING CHARGES:		
Costs, Operating and General Expenses	$16,049,408.27	
Taxes	1,028,805.28	17,078,213.55
Net Operating Income		$14,206,790.59
Non-Operating Income		324,678.76
Income before Deductions		$14,531,469.35
DEDUCTIONS:		
Interest on Funded Debt	$171,117.28	
Other Interest	32,850.16	203,967.44
Profit before Other Deductions		$14,327,501.91
OTHER DEDUCTIONS:		
Depreciation	$2,721,287.42	
Depletion and Lease Abandonments	1,715,185.81	
Intangible Development Costs	2,686,704.50	7,123,177.73
Net Profit		$7,204,324.18
Loss Applicable to Minority Interests		837.38
Net Profit Accrued to Corporation		$7,205,161.56

Consolidated Balance Sheet, December 31, 1929

Barnsdall Corporation and Subsidiary Companies

ASSETS

PROPERTIES:		
Oil, Gas, Mining and Miscellaneous Properties	$81,292,833.15	
Less: Reserves for Depreciation and Depletion	28,552,960.43	$52,739,872.72
INVESTMENTS IN AND ADVANCES TO OTHER COMPANIES NOT CONSOLIDATED:		
Investments in Shares and Bonds	$575,788.31	
Advances to Other Companies	385,000.00	960,788.31
SINKING FUNDS:		
Sinking Fund for Redemption of Barnsdall Oil Company of California First Mortgage Bonds		42,500.00
BARNSDALL CORPORATION STOCK HELD IN TREASURY AT PAR		1,045,625.00
DEFERRED CHARGES TO OPERATIONS		171,876.16
CURRENT ASSETS:		
Cash	$2,832,886.34	
Bills Receivable	146,648.71	
Accounts Receivable	2,261,085.83	
Current Inventories of Crude and Refined Oil, at Market or under	1,535,859.32	
Inventories of Crude Oil in Storage, at Market	3,045,881.87	
Inventories of Minerals, at Cost	47,961.37	
Inventories of Supplies, at Cost	779,375.24	10,649,698.68
TOTAL ASSETS		$65,610,360.87

LIABILITIES

CAPITAL STOCK OF BARNSDALL CORPORATION: (Par Value, $25.00 per Share)	CLASS A	CLASS B	
Authorized	$71,250,000.00	$28,750,000.00	
Unissued	14,825,200.00	28,716,625.00	
Outstanding	$56,424,800.00	$33,375.00	$56,458,175.00
DIVIDEND SCRIP OUTSTANDING			5,229.37
CAPITAL STOCK AND SURPLUS OF SUBSIDIARY COMPANIES NOT OWNED BY BARNSDALL CORPORATION			750,044.95
FUNDED DEBT OF SUBSIDIARY COMPANIES:			
Barnsdall Oil Company of California, First Mortgage Serial 7% Gold Bonds, due 1930		$42,500.00	
Miscellaneous Purchase Money Obligations and Equipment Trust Notes		76,402.55	118,902.55
CURRENT LIABILITIES:			
Accounts Payable		$1,512,501.00	
Accrued Expenses		116,326.77	
Accrued Taxes		806,607.72	2,435,435.49
EARNED SURPLUS			5,842,573.51
TOTAL LIABILITIES			$65,610,360.87

120 Broadway

BARNSDALL CORPORATION

New York City

February 25, 1930

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of February 26th, 1930

Name and Dividend	1930 Price Range High	1930 Price Range Low	Recent Price
Aluminum Co. of Amer......	345	275	§305
Aluminum Pfd. (6).........	108½	106½	§105
Amer. Cyanamid "B" (1.60)	29¾	25½	26⅛
Amer. Gas Elec. (1)........	142½	118⅝	132⅜
Amer. Superpower (1).......	32½	23¾	28⅝
Assoc. Gas Elec. "A" (2.40)	46½	36½	41⅝
Celanese Corp	35	24	26½
Central States Elec. (.40)...	29⅝	19	23½
Cities Service (.30)..........	33	26½	32⅛
Cities Service Pfd. (6)........	89⅝	88	88⅝
Cleveland El. Ill. (1.60).....	75¼	63	75
Comwlth Edison (8)..........	288	234	271⅝
Cons. Gas of Balt. (3.60)....	118⅞	90¼	112⅞
Consolidated Laundries	14¾	10	13¾
Continental Oil	15⅞	12⅛	§12
Cosden Oil	74¾	56	56
Deere & Co. (new)	131¾	113	120
Durant Motors	7	4⅜	5⅛
Elec. Bond Share	102⅜	80½	95
Ford Motors of Canada A....	33⅛	28⅝	28⅝
Ford Motor of France........	7⅜	6⅛	7⅛
Ford Motors, Ltd............	14½	10¼	13¼
Fox Theatre A	9½	2½	7½
General Baking	4⅝	2⅝	3
General Baking Pfd.	54½	37⅞	38¼
Gen. El. Ltd. rcts. Eng. (.50)	11⅝	11	11
Gen. Realty & Util..........	14½	9⅝	12
Gen. Realty & Util. Pfd. (6)	84⅞	69	80⅞
Glen Alden Coal (10).........	121½	113	114
Goldman Sachs T.	41⅞	35	38¼
Gulf Oil (1.5)................	144	131¼	133
Hecla Mining (1).............	14	12	12⅝
Humble Oil (2)	87½	78	§82
Hygrade Food Products......	13	10¼	10¼
Insull Util. Invest. Inc......	71	54½	66½
Insur. Securities Inc. (1.40)..	19⅞	17	17
Internat. Pet. (new) (.62½)	21⅞	17⅞	18⅜
International Utilities B......	12⅝	6⅞	10¾
Lefcourt Realty (1.85)........	22⅞	14⅞	20⅞
Lehman Corp.	87	75½	81½
Lion Oil Refining (2.25).......	22	18⅝	§19¾
Lone Star Gas (new) (.80)...	39⅞	34½	36½
Metro Chain Stores	30	24	24¾
Mid. West Utili	34⅝	25½	32¼
Mountain Producers (1.60)...	9⅜	8	8⅝
National Fuel Gas (1)........	35¼	25½	32
New Jersey Zinc (2)..........	85½	66¼	83¼
New Mex. & Arizona Lead..	7¼	3½	6½
Newmont (4)	124⅞	105½	118
Niagara Hudson Power (.40).	17½	11⅝	15⅜
North. States Power (8)......	183½	170	178½
Novadel-Agene (2)............	29½	22⅝	§27
Ohio Oil (2)..................	71¼	66½	67½
Pennroad Corp.	16½	13	15
Pittsburgh & Lake Erie (5)...	118½	111	§115
Ruberoid Co. (4).............	58	52½	§53
Salt Creek Producers (2)....	12⅜	10	11⅛
Standard Oil of Ind. (2½)...	54⅝	49⅞	50¼
Superheater Co. (new) (2½).	44	38	42¾
Transcontinental Air Trans...	10⅜	6	9½
Trans Lux	7¼	4¼	5⅜
Tubize Art. Silk "B" (10)...	178¾	130	180
Ungerlieder	36½	26¼	35
United Lt. & Pow. A (.60)...	42⅞	27½	40¼
United Lt. & Pow. cv. Pfd. (6)	108¼	97½	106¾
Utility & Indus. Corp.	23¾	17½	21
Utility Pow. & Lt. (1)......	24	14¼	21¼
Vacuum Oil (4)............	96⅞	88½	91½

§ Bid Price.

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The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses of the highest standard. They will be sent free on request, direct from the issuing houses.

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We urge our readers to take full advantage of this service, Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

HOW TO GET THE THINGS YOU WANT

Tells you how you can become financially independent—how you can retire on an income—how you can provide money for emergencies—money to leave your home free of debt—money for other needs. Your free copy is awaiting your request. (703).

RUSSELL MILLER MARKET LETTER

will be gladly mailed to you upon request. Issued by Russell Miller & Co., members New York Stock Exchange, having offices on Pacific coast and in New York. Ask for 704.

GILLETTE SAFETY RAZOR COMPANY

A report on the company will be furnished upon request by Stein Bros. & Boyce, members New York Stock Exchange. Ask for 705.

THE STOCK MARKET CRASH AND AFTER

Irving Fisher's analysis of the Wall Street debacle, with conclusions of interest to every business man. Write today for descriptive literature. (706).

THE BOUVIER REVIEW

contains analyses and charts on Public Service of New Jersey, Great Northern, Remington Rand, Bethlehem Steel; Chicago, Milwaukee & St. Paul; Texas Gulf Sulphur; Peoples Gas, Light & Coke; Radio-Keith-Orpheum. Ask for 707.

INVESTMENT SHARES

is a booklet issued by a Texas building and loan association describing the various forms of investments issued. Under state supervision. Send for 708.

WEEKLY MARKET LETTER

of Morrison & Townsend this week contains analyses of Borden Co., A. M. Byers Co., Lambert Co. and National Power & Light Co. Copy on request. (710).

(Please see Page 826)

(Continued from page 810)

you will have a *paid-up* policy with proceeds payable to a beneficiary.

Educational Insurance

Insurance Editor:

Being a constant reader of the MAGAZINE OF WALL STREET, *I would appreciate your advising me where I could secure a manual containing the premium rates of different life insurance companies on childrens' educational insurance policies.*

H. K.

I do not know of any manual compiling the premium rates of those life companies which feature children's educational endowment insurance. I think it would be necessary for you to request these rates from the individual companies, either through their general agencies or home office.

If this protection is desired for higher education—college or university courses—a single way to effect it is by endowment insurance *on the parent's life* while the child is young—the endowment of a term which will mature in time to fund this educational course. If the insured die prior to the endowment date, the funds accruing from the insurance can be held in trust until the youth attains the college entrance age. The proceeds of such endowments can with advantage be paid in installments over a period of four years (the usual college course).

Current Opportunities in Convertible Bonds

(Continued from page 767)

The territory served is the most populous of the country affording well diversified traffic. The chief commodity carried is bituminous coal which provides about 60% of the traffic. Constant improvement in the physical condition of the property has enabled the management to better the operating ratio resulting in higher net earnings. The position of the common stock, selling for approximately 117, is now probably the strongest which it ever enjoyed, a fact which lends attraction to the bonds which are convertible into this stock.

Internat'l Tel. & Tel. 4½s The International Telephone & Telegraph Corp Convertible Debenture 4½s, due 1939, are a call on fifteen shares of the common stock at about 67, reduced to this price from 200 by the 3 for 1 split-up last year.

(Please turn to page 818)

VACUUM OIL COMPANY

NOTICE TO STOCKHOLDERS

AFTER many months of negotiations the Vacuum Oil Company and the Standard Oil Company of New York, hereafter referred to as the Vacuum Company and the New York Company, through their respective Boards of Directors have agreed upon a basis for the merger of the properties of the two companies.

The business of the two companies is complementary in character. In general, the business of the New York Company in the United States is primarily in crude production, refining and marketing of gasoline and kerosene; the business of the Vacuum Company in the United States is primarily in the manufacture and marketing of high grade lubricating specialties for which it has established a world-wide reputation and market. The bulk of the business of the New York Company is in the United States; the bulk of the business of the Vacuum Company is in foreign countries.

The Vacuum Company and the New York Company have been pioneer American enterprises in building up an extensive business carried on within foreign countries. The lubricating products of the Vacuum Company are marketed in practically every country in the world. In addition, the Vacuum Company through numerous branches and locally incorporated Vacuum Oil Companies, does a valuable business in the marketing of gasoline and kerosene in important foreign markets, including Australasia, Egypt, South, East and West Africa, and parts of Europe, where the New York Company is not engaged in marketing these products. The activities of the New York Company abroad have been principally in building up extensive storage and distributing facilities for the marketing of kerosene, gasoline, fuel oil and other products in the large markets of the Orient and India, in Aden and all of the markets of the Near East. In these markets by the union of the companies the Vacuum lubricating specialties and the gasoline of the New York Company can be distributed to advantage in competition with other companies which market both products.

PROTECTING FOREIGN MARKETS

To maintain their position abroad against powerful foreign competitors, strongly entrenched as to crude supplies and refining and distributing facilities, the union of the complementary businesses of the New York and Vacuum companies and their resources is regarded as vitally important and directly promotive of American interests in business in such countries. The crude supply of the New York Company and its refining facilities for gasoline and kerosene will tend to protect and extend the marketing outlets which the Vacuum Company has established for those products.

In the United States there have been rapid changes in conditions in the petroleum business which make this merger useful and appropriate for both companies. The prevailing method of doing business in the oil industry has come to be for each company doing a general business in petroleum products to have its own crude supply, its own refining facilities and to offer a full line of petroleum products through intensive local marketing facilities. The New York Company, handling gasoline and petroleum products generally, has developed along these lines and has extensive facilities for distributing gasoline to motorists. In the United States, the Vacuum Company, having devoted itself primarily to the manufacture and marketing of its high grade lubricants, has created a national consumer demand for its lubricating specialties. The merger will make available to the distinctive Vacuum products a very much wider distribution and sale, and it will also make available the large crude oil production of the subsidiaries of the New York Company.

EXTENDING MARKETS

The New York Company's distributing facilities are in process of expansion in response to another prevailing tendency. In this automobile age, each large oil company handling gasoline primarily, although formerly marketing its products in only a portion of the country, now seeks to extend its activities generally throughout the United States so as to get the most complete use of its overhead organization, of its standing with its customers and of its national advertising. For example, the New York Company originally confined its distributing facilities in this country to New York and New England where it had a great preponderance of the business. But at present there are now actively competing with each other in that territory, in addition to numerous local companies, not less than eleven separate and distinct major concerns each with widely developed distributing facilities in this territory and a number of them already having nation-wide distribution for their products. In line with this tendency the New York Company has already in the last few years extended its distribution into the West and Southwest. The Vacuum Company has for years had a nationwide reputation for its highly-specialized lubricants, which will be of advantage to the New York Company in further extending its marketing of gasoline.

The united company, in addition to the specialized lubricating products of the Vacuum Company, will market, it is estimated, about 9% of the petroleum products consumed in the United States, an amount comparable in volume with the business done by each of several of the larger of its numerous competitors. In foreign countries it will carry on the wide-spread and important business above described.

The facts as to the situation have, as has been the custom in important transactions in the past, been submitted to the Government. Both companies were former subsidiaries of the Standard Oil Company (New Jersey). The question was raised whether the decree entered in 1911 in the so-called "Standard Oil dissolution suit", by which the control of the Standard Oil Company (New Jersey) over its subsidiaries was terminated, might forbid this transaction between two of such former subsidiaries. The Government took the position that the questions involved should be passed upon by the Courts.

THE LEGAL POSITION

Counsel for the companies have given their opinion that the merger is in conformity with the law. As to the permissibility of a union of two former subsidiaries of the Standard Oil Company (New Jersey) counsel have advised that this question was raised before the Supreme Court of the United States in the dissolution case and that that Court held that after the subsidiaries had been freed from the control of the Standard Oil Company (New Jersey) they would be entitled to pursue any course of conduct lawful for anyone else.

There being no available method for asking the Courts for an advisory expression as to the specific situation now arising, the only way to secure a ruling was for the companies to proceed and let the matter be brought before the Courts in an appropriate way for determination. Under these circumstances, the Directors of the respective companies felt it their duty to the stockholders of the companies to proceed, and have entered into a contract for the merger which they have brought to the attention of the Government. The Government has indicated that it proposes to institute an appropriate proceeding in equity to determine the questions involved, and it is expected that the matter will be promptly disposed of.

TERMS OF THE PLAN

While in deference to these legal proceedings the contract will not be submitted to you immediately, you will be interested at this time in its provisions. The contract makes provision for uniting the assets of the Vacuum Oil Company and the Standard Oil Company of New York, under the name "General Petroleum Corporation." To effect this end the name of the present Standard Oil Company of New York will be changed to "General Petroleum Corporation." The General Petroleum Corporation will have all the present assets of the Standard Oil Company of New York. The General Petroleum Corporation will also acquire all the assets of the Vacuum Oil Company, and will issue and deliver to each shareholder of the Vacuum Oil Company in exchange for these assets three (3) shares of the capital stock of General Petroleum Corporation for each share of Vacuum Oil Company stock surrendered to the Vacuum Oil Company for cancellation. The stockholders of the Standard Oil Company of New York will receive new certificates in the name of the General Petroleum Corporation for their present shares.

The Board of Directors of the General Petroleum Corporation will, upon consummation of the contract, be composed of directors chosen in equal number from the present directorates of the Vacuum Oil Company and the Standard Oil Company of New York, thus giving to those now conducting the business of each company an equal voice in the management.

PRESERVING EXISTING GOOD WILL

Among the important assets of each of the present companies is the good-will attached to its name and the confidence of the public in its management and personnel. To preserve these assets there will be organized two subsidiary corporations of General Petroleum Corporation, to be known, respectively, as "Vacuum Oil Company, Inc." and "Standard Oil Company of New York, Inc.", in order that the present businesses of the respective companies may be carried on as in the past and under present management, thus preserving the values of the corporate names, trademarks and organizations of the two companies. The Vacuum customers can thus feel assured that the high-grade lubricants and all other distinctive Vacuum products will be manufactured and marketed in all the world's markets by and through Vacuum organizations with the management and personnel with which they are familiar, hereby ensuring that the distinctive Vacuum products will be available exactly as heretofore. The customers of the Standard Oil Company of New York can likewise feel assured that they will be dealing with the same management and personnel with which they are familiar in the marketing of the distinctive Standard Oil Company of New York products.

Your Directors unanimously believe that the carrying out of the contract will prove to be in the best interests of the stockholders of your Company and of the public we serve.

BY ORDER OF THE BOARD OF DIRECTORS
VACUUM OIL COMPANY

61 Broadway, New York
February 21, 1930

GEO. V. HOLTON, Secretary

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We urge our readers to take full advantage of this service, Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

PRUDENCE-BONDS FOR PRUDENT PEOPLE

A brief description of how Prudence-Bonds are secured by conservative first mortgages on income producing properties and guaranteed by over $16,500,000 of the Prudence Company's capital, surplus and reserves. Its message is short, but its benefits are long. Ask for 691.

CONTINENTAL CAN CO., INC.

The position of this corporation and its securities is analyzed in the latest weekly review issued by Prince & Whitely, prominent New York Stock Exchange firm. Ask for 692.

UNITED STATES ELECTRIC LIGHT AND POWER SHARES, INC.

The Trust Certificates, Series "A," secured by deposit, with the trustee, of selected preferred and common stocks of Electric Light and Power Companies, offers you an attractive investment, priced at the market, to yield about 7%. Special circular 694 contains analysis.

HOUDAILLE-HERSHEY CORP.

Paul H. Davis & Co. have prepared an analysis of this company containing the Balance Sheet of November 30th, 1929, and Earning Statement for the first 11 months of 1929, a complimentary copy of which will be sent upon request. Ask for 695.

PILOT RADIO & TUBE CORPORATION

Company manufactures every necessary part for radio receiving sets, also other electrical articles. With no funded debt, no preferred stock, the Class A Common Stock enjoys first claim to dividends, which are now being paid at rate of $1.20 per annum. Listed on New York Curb Exchange, its purchase at current price of approximately 13 yielding about 10% in dividends is recommended in circular 696, which will be sent gratis upon request.

INLAND UTILITIES, INC.

Information relative to this Public Utility, which serves thousands of homes and industrial plants in four eastern states, will be sent upon request. (697).

LEFCOURT NATIONAL BANK & TRUST CO.

A booklet descriptive of this institution contains a table showing the progress of twenty leading New York City banks during the last decade; also a compilation indicating the comparative statistical position in relation to capital, book value, merger value and market price, will be mailed upon request. (698).

UNCOVERING HIDDEN PROFITS

is the title of a valuable booklet offered by Addressograph Company. Shows possibilities of profit and savings through use of Adressograph equipment in varied lines of business Of particular interest to business executives. Ask for 699.

COMMON STOCKS AND THE AVERAGE MAN

should be read by everyone interested in the after-panic conditions of investment. It is not only a keen, critical study of the factors which operated to bring about the stock panic, but the greater part of the book is a constructive fact-study and manual of help for the average investor-speculator. Send for descriptive literature 700.

COMMERCIAL SOLVENTS CORPORATION

The strong position of this important company is set forth in an interesting 4-page folder issued recently by Edwin Weisl & Co., members New York Stock Exchange. Send for your complimentary copy. (701).

POSITION AND OUTLOOK OF THE MOTION PICTURE INDUSTRY

Are you interested in this particular part of the amusement securities? If so, you should send for your complimentary copy of this important 4-page folder issued by Samuel Ungerleider & Co., members New York Stock Exchange. (702).

Recent Reported Earning Position of Leading Companies

This department serves to provide a current record of earnings reported by leading companies. Each issue covers only those reports which are received during the fortnight immediately preceding. Net worth is calculated from the latest available balance sheet; and earnings thereon serve to measure the profit position of the company in relation to its stockholders' investment. The ratio of debt to net worth indicates, by a percentage figure, the extent of bondholders' claims as compared to stockholders' equity.

Industrials

Company	Period of Report	Earned per Dollar of Net Worth	Ratio of Debt to Net Worth	Earned per Share of Common	Market Value Feb. 24, 1930, Times Earnings	Dividend Rate
Ahumada Lead	1929	(d)	ND	(d)	—	—
Air-Way Electric Appliance	1929	.37	ND	3.86	7.5	2½
Alpha Portland Cement	1929	.06	ND	2.35	12.4	3
American Can	1929	.13	ND	8.02	16.8	4
American Chain	1929	.14	23	10.12(n)	4.8	3
American Metal	1929	.06	NM	3.23	14.5	3
Amer. Solvents & Chemical	1929	.16	34	2.56	6.1	—
Art Metal Works	1929	NR	NR	4.45	5.4	3
Atlas Stores	7 mos.	NR	NR	3.19	7.6(g)	1(a)
Baldwin Locomotive Works	1929	.03	15	1.07	32.1	1¾
Belding Hemingway	1929	(d)	31	(d)	—	—
Beech-Nut Packing	1929	.15	ND	6.06	10.8	3
Best & Co.	Year	.21	15(m)	4.20	8.6	2
Blumenthal (Sidney)	1929	.22	11	9.71	4.4	—
Bohack (H. C.)	Year	.10	ND	6.63	9.4	2½
Bon Ami	1929	.23	ND	6.77-A 3.33-B	10.5 10.3	4-A 2-B
Briggs & Stratton	1929	.47	ND	4.99	5.7	3
Brunswick Term. & Ry. Sec.	1929	.08	ND	2.40	7.2	—
Buckeye Pipe Line	1929	.09	ND	5.76	11.8	4
Calumet & Hecla Cons. Cop.	1929	.13	ND	3.67(ep)	8.1	4
Campbell, Wyant & Cannon	1929	.03	ND	3.67	6.4	2
Checker Cab Mfg.	1929	.47	ND	11.33(p)	4.1	4.80
Chicago Yellow Cab	1929	NR	NR	4.46(p)	6.1	—
Childs Co.	1929	.06	52	2.56	23.6	2.40
Chrysler Corp.	1929	.17	38	4.94	7.6	3
City Ice & Fuel	1929	.09	8	4.69	9.4	3.60(a)
Colgate-Palmolive-Peet	1929	NR	NR	4.03	14.5	2½
Commercial Credit	1929	.09	ND	4.33	8.6	2
Congoleum Nairn, Inc.	1929	.07	5	1.28	13.1	—
Congress Cigar	1929	.29	ND	8.23	6.3	5
Consolidated Cigar	1929	.12	1(m)	9.46	5.5	7
Consolidated Laundries	1929	.16	97	1.67	8.2	—
Continental Can	1929	.11	ND	5.02	12.5	2½
Drug, Inc.	1929	.18	47	6.35	12.4	4
Eastern Rolling Mill	1929	.08	ND	2.48	8.9	1½(a)
Eaton Axle & Spring	1929	NR	NR	5.02(p)	7.0	3
Eureka Vacuum Cleaner	1929	.19	ND	4.60	7.9	4
Evans Auto Loading	1929	.18	20	3.28	8.2	2½
Exchange Buffet	9 mos.	.09	ND	1.62	16.0(g)	1½
Federated Metals	Year	.08	36	3.67	6.4	1
Gobel (Adolf), Inc.	1929	.01	17	.30	53.3	—
Gotham Silk Hosiery	1929	.12	31	3.31	7.6	2½
Harbison-Walker Refractories	1929	.11	ND	3.58	16.3	2
Household Products	1929	.14	ND	5.64	9.9	3½(a)
Independent Oil & Gas	1929	.14	7	4.31	4.8	2
Indian Motocycle	1929	(d)	ND	(d)	—	—
Kelly-Springfield Tire	1929	(d)	ND	(d)	—	—
Kroger Grocery & Baking	1929	.09	1(m)	3.64	11.0	1(a)
Lehigh Valley Coal	1929	.03	63	.42	30.9	—
Lehn & Fink	1929	.15	ND	4.10	7.5	3
Louisiana Oil Refining	1929	NR	NR	1.14(bp)	7.5	—
Ludlum Steel	1929	NR	NR	3.68	11.1	2
Mack Trucks	1929	.12	3	9.05	8.7	6
Mathieson Alkali	1929	.12	ND	3.31	12.9	2
McLellan Stores	1929	.11	ND	1.34	11.0	—
Melville Shoe	1929	.21	3(m)	3.99	7.4	2
Midland Steel Products	1929	.17	ND	6.54 on new to be outstanding. 10.33	 5.7	 —
Motor Wheel	1929	.23	ND	4.23	7.1	3
National Acme	1929	.28	25	4.20	5.7	1½
National Bellas Hess	1929	(d)	13	(d)	—	1(a)
National Lead	1929	.11	ND	25.49	6.9	5(a)
New York Transit	1929	.12	ND	1.65	10.1	1.60
Northern Pipe Line	1929	.06	ND	2.50	12.6	4
Pacific Coast Biscuit	1929	NR	NR	2.62	4.2	1(a)
Pacific Mills	1929	.09	16	2.60	11.2	—
Park Utah Consolidated Mines	1929	.06	ND	.23(c)	12.6	—
Pennsylvania Dixie Cement	1929	.02	59	(d)	—	—
Penney (J. C.)	1929	.19	NM	4.66	15.3	2½
Phillips Petroleum	1929	.13	26	5.19	5.6	2(a)

Recent Reported Earning Position of Leading Companies

Industrials (Continued)

Company	Period of Report	Earned per Dollar of Net Worth	Ratio of Debt to Net Worth	Earned per Share of Common	Market Value Feb. 24, 1930, Times Earnings	Dividend Rate
Phoenix Hosiery	1929	.03	ND	.59	19.3	—
Pierce Arrow Motor Car	1929	.23	3	4.06-A	5.9	—
Porto Rican American Tobacco	1929	.09	42	4.63-B	4.7	—
Prairie Oil & Gas	1929	.08	ND	5.89	7.9	2
Pressed Steel Car	1929	.04	14	1.83	7.8	—
Raybestos Manhattan	1929	.17	ND	4.74	8.4	2.60
Real Silk Hosiery Mills	1929	NR	NR	9.29	6.1	5
Rio Grande Oil	1929	.13	2	4.58	3.9	2
Safeway Stores	1929	.18	1(ms)	9.02(kp)	11.0	5
Sharp & Dohme	1929	.17	4(m)	1.13(r)	15.3	—
Simmons Co.	1929	.12	58(s)	4.14	16.2	3(a)
Stewart Warner	1929	.33	ND	5.37	7.3	3½(a)
Superior Steel	1929	.01	34	.63	32.9	—
Thompson Products, Inc.	1929	.18	ND	4.53-NS	7.6	1.20(a)
Timken Detroit Axle	1929	.09	ND	1.23	13.0	.60(a)
Trico Products	1929	.48	NM	6.66	5.7	2½
Underwood-Elliott-Fisher	1929	.22	ND	10.08	11.8	5
U. S. Gypsum	1929	NR	NR	3.98	11.3	1.60
United Verde Ext. Mining	1929	.19	ND	2.84	4.3	4
Waldorf System, Inc.	1929	NR	NR	2.50	10.4	1½
Walworth Co.	1929	.11	57(s)	6.10	5.9	2
Westinghouse Air Brake	1929	.14	ND	2.78(p)	17.3	2
Zonite Products	1929	.43	ND	1.92	9.9	1.60

Railroads

Company	Period of Report	Earned per Dollar of Net Worth	Ratio of Debt to Net Worth	Earned per Share of Common	Market Value Feb. 24, 1930, Times Earnings	Dividend Rate
Atchison, Topeka & Santa Fe	1929	.08	38	22.71(p)	10.3	10
Baltimore & Ohio	1929	.08	141	10.30(p)	11.3	7
Buffalo, Rochester & Pittsburgh	1929	.04	150	6.18(p)	14.1	4
Chesapeake Corp.	1929	.05	55	2.61	27.9	3
Chicago & Alton	1929	(d)	NR	(d)	—	—
Chicago & Northwestern	1929	.06	131	8.43(p)	10.3	5
Clevel., Cinc., Chic. & St. Louis	1929	.08	139	18.53(p)	15.8	8
Delaware & Hudson	1929	.07	53	15.14	11.4	9
Delaware, Lackawanna & West.	1929	.08	NM	7.90(p)	17.8	6(a)
Gulf, Mobile & Northern	1929	.04	25	3.52(ps)	11.9	—
Lehigh Valley	1929	.06	74	6.07	12.2	3½(a)
Louisville & Nashville	1929	.06	114	11.73(p)	11.4	7
New York Central	1929	.10	86	16.88(p)	10.8	8
Norfolk & Southern	1929	.02	80	2.17(p)	13.5	—
Northern Pacific	1929	.05	71	8.79(p)	10.7	5
Reading	1929	.06	47	9.09(p)	13.9	4
Wabash	1929	.04	70	5.68(p)	10.1	—
Wheeling & Lake Erie	1929	.06	82	9.58(x)	12.0	—

Public Utilities

Company	Period of Report	Earned per Dollar of Net Worth	Ratio of Debt to Net Worth	Earned per Share of Common	Market Value Feb. 24, 1930, Times Earnings	Dividend Rate
Brooklyn-Man. Transit	7 mos.	.05	179	3.95	17.7(g)	4
Brooklyn Union Gas	1929	.08	31	7.54	22.7	5
Columbia Gas & Electric	1929	.08	29	3.11	26.7	2
Commonwealth & Southern	1929	.04	83	.75	22.3	.60
Consolidated Gas	1929	.03	28	4.75	25.3	4
Detroit Edison	12 mos.	.09	74	10.69	22.5	8
Pacific Gas & Electric	1929	.08	112	3.26(p)	19.1	2
Public Serv. Corp. of N. J.	1929	.09	65	4.13	23.1	3.40
Tri-Utilities Corp.	Year	NR	NR	3.51	13.5	1.20(a)
United Gas Improvement	1929	.07	64(s)	1.37(p)	27.4	1.20

(a) And extra. (b) Before taxes. (c) Before depletion. (d) Deficit. (e) Payable in stock. (g) Figured on basis of estimated annual earnings as indicated by period reported. (k) Based on average number of shares outstanding during period. (m) Including mortgages. (n) Including non-recurring income equal to $1.10 per share. (p) Preliminary figures. (r) Including operations of predecessor companies from January 1. (s) Including obligations of subsidiaries. (x) Not allowing for accumulated dividends on preferred. ND—No funded debt. NM—Negligible. NR—Unavailable. NS—New stock.

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Saturday, February 15	87.13	269.25	155.25	226.04	223.12	1,696,920
Monday, February 17	87.06	270.54	155.09	225.98	221.97	3,289,170
Tuesday, February 18	87.07	270.73	155.44	228.38	224.36	3,795,310
Wednesday, February 19	86.95	268.46	154.95	227.35	223.08	3,484,810
Thursday, February 20	87.02	263.41	152.49	223.82	218.07	3,661,070
Friday, February 21	87.04	265.31	154.11	221.86	217.68	2,566,570
Saturday, February 22	HOLIDAY — EXCHANGE CLOSED					
Monday, February 24	87.03	262.47	152.97	221.13	217.10	2,320,430
Tuesday, February 25	86.97	262.80	152.17	219.78	215.78	2,632,910
Wednesday, February 26	86.96	269.06	152.90	223.20	218.67	3,017,750
Thursday, February 27	87.04	269.39	152.66	225.14	221.58	3,810,110
Friday, February 28	87.12	271.11	152.34	226.12	221.80	3,209,510

(*Continued from page* 814)

The present price of the bond of about 118 represents a premium for the conversion privilege and is equivalent to 79 for the stock, as against the market price of 68. Although the bond is redeemable at 102½, there is little likelihood of this occurrence for some time in view of the rapid expansion of the company and the concomitant demand for new capital. From July 1st, 1932, to July 1st, 1935, the bond is convertible into stock at 70; thereafter to maturity at slightly over 73.

International Telephone & Telegraph Corp. is a world-wide communications system interested in telephone, telegraph, cable and radio developments in many parts of the globe. After approximately a decade of rapid expansion and acquisitions, the company is entering the second phase of its career by concentrating its attention in building up the earning power of its properties. Earnings have increased rapidly and for the year 1929 (with the month of December estimated) amounted to $27,350,000 gross operating profit after depreciation and taxes. After subsidiary company interest charges and minority interests, there remained for the company $20,800,000, equivalent in the calendar year to more than four times interest charges. Earnings on the common stock are showing steady increase aggregating about $3 in 1929 as against $2.46 the year previous.

Texas Corp. 5s The Texas Corp. 5s of 1944 came on the market last October in the amount of $100,000,000, and aside from this there are outstanding somewhat less than $25,000,000 of subsidiary funded debt and purchase money mortgages. The issue is convertible into common stock at $70 a share until October 1st, 1930, at $75 in the following year, at $80 in the next three years, and at $100 during the five years between October 1st, 1934, to October 1st, 1939, and at $125 thereafter to maturity.

The company is the largest so-called independent oil company in the country. Steady expansion has been shown for several years past, especially in extending its producing and marketing facilities as well as in the field of natural gas. In 1928, the California Petroleum Corp. was acquired, contributing a substantial increase to the crude oil production of Texas and rounding out its distributing facilities on the Pacific Coast. Net income in 1928 was $45,073,880, a gain of about 127% over the year before, and equivalent to $5.34 on each common share of $25 par value. Income for 1929 was $48,318,072 or $5.12 a share on the average number of shares outstanding during the year. The stock carries a dividend of $3 per annum.

The stock has recognized attributes of a sound equity investment which should enhance in value with the normal growth of the company. The convertible debenture as a long term call on the stock represents an attractive option and can currently be obtained at about 100 to yield 5%.

Market Sees Public Following Through Bullish Antics

(*Continued from page* 748)

Organized Support These are two logical interpretations of the current market situation which make more intelligible the irregularly upward price trend which has obtained since the start of the year. In their immediate influence and in their ultimate results they tread a common ground. They both give recognition to organized support. But such support in the present market that is calculated to bolster up general business activities may be withdrawn when it has served its purpose. Perhaps its ultimate successes or failures may even be anticipated. A possible recession in the general market because of the withdrawal of such support can only be suggested but not accurately timed.

Likewise, both the success or failure of a distributive movement should mark a price recession. If fine distinctions are to be drawn, one might say that the end of a distributive movement would be marked by a considerably more severe decline in values and would have less advance warning than if the support is merely intended as a business tonic. Both of these views presume artificial market influences rather than what might be termed a "natural" market, such as would reflect the ebb and flood tides of business operations.

In conclusion, it might be well to counsel that the temptation to gather in trading profits in this kind of a market must be weighed against the prospects of obtaining sound investment issues on a better income basis at a later period. The long range promise of improvement in corporate earning power, while not discussed above, certainly has a logical place in the investment program of the foresighted investor. Somewhere in the interim, however, there seems to be a logical expectancy of a general if temporary recession in values. The danger that such a recession might not be accurately timed, can to a very practical extent be minimized by selection of sound investment stocks not overvalued, and purchased on reactions. The bulges in individual issues that may be expected for the near range future might be used to further lighten one's investment list in preparation for desirable trading opportunities or the more attractive investment values that we believe a future recession in prices would represent.

Gold Dust Corporation

(*Continued from page* 773)

outstanding when the Standard Milling merger is entirely completed. Both stocks are of no par value.

The fiscal year of the company has been changed to the calendar year. The consolidated net profit, including Standard Milling and subsidiaries for the period prior to consolidation with Gold Dust, was $7,586,963 after Federal taxes, depreciation and interest, for the full 1929 year. This figure was equal, after preferred dividends, to about $4 a share. For the year ended August 31st, 1928, excluding Standard Milling and American Linseed operations, net after all charges was $2,731,769.

The profit and loss surplus at the close of last year stood at $15,233,215, compared with $13,624,266 as the surplus of Gold Dust and Standard Milling at the time of merging. An adjustment in the surplus account was necessitated by the loss of $1,052,910 on the sale of the capital assets of the latter company before the merger. Current assets of $33,771,864, including more than 11 millions in cash and call loans, were virtually five times current liabilities, with net working capital of nearly 27 millions. Total assets were nearly 53 millions.

Current earnings are said to be running double the regular annual dividend of $2.50. It is not believed, however, that this rate will be advanced or or that extras will be declared while the company's expansion program is active.

The recent price around 42 affords a yield of 6% and is somewhat better than 10 times earnings. In view of its growing earning power, the stock not only offers investment value at present levels but holds attraction for market price enhancement.

For Feature Articles to Appear in the Next Issue See Page 743

Building and Loan Associations

We will be glad to answer questions regarding Building and Loan Associations, provided that the information available on the association under consideration is sufficiently complete to warrant an opinion. Address, Building & Loan Ass'n Department, c/o The Magazine of Wall Street, 42 Broadway, New York City.

Colorado

Texas

Colorado

Arizona

Alabama

Oklahoma

Texas

Florida

Ohio

New York

TWENTY-NINTH ANNUAL REPORT

TO STOCKHOLDERS OF

CRUCIBLE STEEL COMPANY OF AMERICA

OFFICE OF CRUCIBLE STEEL COMPANY OF AMERICA
15 EXCHANGE PLACE, JERSEY CITY, N. J.
January 31, 1930.

TO THE STOCKHOLDERS:

The Board of Directors submits herewith its twenty-ninth Annual Report of operations for the fiscal year ending December 31, 1929. Included is a certified consolidated balance sheet showing the financial condition of the Company and its subsidiaries as of that date.

Operating Profits (after all taxes)		**$11,969,543.88**
Other Income		**979,772.69**
		$12,949,316.57
***less* Repairs and Maintenance;**		
Depreciation and Renewals	**$4,584,889.80**	
Interest on Bonds	**202,083.35**	
		4,786,973.15
Net Profit		**$8,162,343.42**
***deduct* Dividends**		**6,149,960.00**
Amount added to Surplus		**$2,012,383.42**

In submitting the foregoing Profit and Loss Statement, your Chairman calls attention to the fact that the earnings of your Company for the year 1929 are larger than they have been for several years. During the first six months of 1929 your Company had a steadily increasing business, both in volume and profits. Beginning in July the volume decreased but, notwithstanding, the Company was able to show substantial earnings for the last six months. The total net profits for the year were $8,162,343.42, which, after payment of dividends on the Preferred stock, left $6,412,343.42 applicable to dividends on Common stock, representing earnings at the rate of $11.66 per share.

As announced in previous statements to the stockholders, your Company is carrying a substantial block of its own Common Stock. Recently a dividend of 3%, payable in this stock held by the Company, was declared. This was in line with the policy announced in the Annual Report of 1928.

During the recent unprecedented decline in the market, large financial and other institutions made substantial purchases of securities for the purpose of stabilizing business and restoring public confidence. At that time the management of your Company, having in view not only the general situation but also the protection of its own stockholders, purchased additional Common stock of the Company which, with other purchases made during the year, amounted to $2,676,000.00.

Your attention is called to the fact that an investigation of the books and property of the Company disclosed that the item of Good-will, Patents, Trade Marks, etc., which had been included with Real Estate, Plant and Equipment in the published Consolidated Balance Sheet, has not been carried on the books of the Company at any specific amount, and that the values of the Real Estate, Plant and Equipment are so much in excess of the amount at which they (including Good-will, Patents, Trade Marks, etc.) have been carried on the books, that the Board of Directors instructed that the item of Good-will, Patents, Trade Marks, etc., be set up on the books as a separate account at the nominal value of $1.00. The Good-will, Trade Marks and Patents are of great value to your Company but, as the real value could not be determined, it was considered conservative and proper to eliminate them from the Real Estate, Plant and Equipment account.

During the year your Company expended for extensions and improvements the sum of $2,380,000.00. These expenditures were made principally, as hereinafter stated, for the purpose of taking care of the very large increase in the demands for corrosion-resistant steel.

The manufacture and use of corrosion-resistant steel during the year 1928 was the outstanding development of recent years in the industry, and production for 1929 has far exceeded our most optimistic estimates. Your Company increased its business in these grades by more than 250%.

Heretofore certain industries have made use of these steels to offset the ravages of the more destructive agents, such as acids, heat, etc. Now the field for applications appears unlimited, the demand taxing the capacities of manufacturers of high grade steels in this highly specialized line. For this reason the Company has been, and still is, enlarging its productive capacity by erecting new buildings and installing new machinery and facilities. This, in addition to the increasing demands for high speed and high grade tool steels, is increasing production in your crucible mills.

In the architectural fields, the now famous Chrysler Building is applying the corrosion-resistant metal known as "Nirosta," with its beautiful and permanent lustre, from the finial to the subway entrances. The adoption of corrosion-resistant steel by the Ford Motor Company, and others, to replace parts heretofore plated, is a noteworthy development. In both instances, your Company has participated extensively, nothwithstanding misleading implications in the advertising of certain producers that the business is exclusive and limited to individual brands.

In the manufacture of these steels, your Company offers the most diversified line of any individual steel company in this country, producing, as it does, ingots, billets, bars, forgings, plates, sheets and wire; also cold drawn and cold rolled, machined, ground and polished products, while satisfactory associations with other mills make available the highest grades of seamless and welded tubing, structural shapes, etc. Furthermore, in its association with Fried. Krupp, Akteingesellshaft, through an exchange of valuable patent rights, your Company's position has been strengthened, its line of products and treatments supplemented, and its sphere of usefulness further extended.

In June of this year your Company entered into a contract with the Shenango Furnace Company for the purchase of a one-half interest in its ore properties. These properties consist of the well-known Shenango, Webb, Virginia, South Tener and Whiteside Mines in the Mesaba Range, St. Louis County, Minnesota—this transaction to be closed as of January 1, 1930. These properties contain the grades of ore which your Company has been using for the past ten years. Payment for this ore will be made principally by the issuing of Common stock of the Crucible Steel Company of America, and the details of this transaction will be reported to you after the matter has been finally closed. The purchase of this ore is one of the most important acquisitions ever made by your Company and, coupled with its own coal and limestone, assures your Company of an independent twenty years' supply of each of these basic raw materials required for the manufacture of steel.

The Ordnance Department of your Atha Works has been practically without business for several years. The

recently completed cruisers built by the Government require shells and we have been awarded a contract for the manufacture of a quantity of these munitions which, with other Government work, gives us a good operation for the next twelve to eighteen months. This, in addition to our usual commercial business at this plant, will materially increase the output and utilize all of our manufacturing facilities there.

. . . .

By order of the Board of Directors,
H. S. WILKINSON, *Chairman*

CRUCIBLE STEEL COMPANY OF AMERICA (Incorporated in New Jersey) and Subsidiary Companies
CONSOLIDATED BALANCE SHEET, as of December 31, 1929

ASSETS

PROPERTY:		
Real estate, plant and equipment (including coal properties)	$117,806,951.33	
reserves	31,554,255.25	
Total	$86,252,696.08	
Good-will, patents, trade-marks, etc.	1.00	
		$86,252,697.08
INVESTMENTS:		
United States Government securities (deposited with New York State Industrial Commission)	$48,000.00	
Other securities	35,340.00	
		83,340.00
CURRENT ASSETS:		
Cash on hand and in banks	$5,154,109.94	
Listed securities, at less than market value	7,826,697.50	
Listed securities, held for payment of stock dividend	1,650,000.00	
Notes receivable	92,169.73	
Accounts receivable, less reserves	5,348,541.58	
Inventories of finished and semi-finished products, raw materials and supplies	17,659,109.03	
		37,730,627.78
DEFERRED CHARGES TO OPERATIONS:		
Taxes, insurance, interest, etc., paid in advance		292,325.14
TOTAL		$124,358,990.00

LIABILITIES

CAPITAL STOCK:		
Preferred — 250,000 shares 7% cumulative	$25,000,000.00	
Common—550,000 shares	55,000,000.00	
		$80,000,000.00
BONDS OF SUBSIDIARY COMPANY:		
Pittsburgh Crucible Steel Company 5% first mortgage bonds, due serially, $250,000.00 per annum		4,000,000.00
CURRENT LIABILITIES:		
Notes payable	$2,000,000.00	
Accounts payable	5,591,825.82	
Accrued taxes and interest	864,788.43	
Dividend on common stock, payable January 31, 1930	687,500.00	
3% stock dividend on common stock, payable January 31, 1930	1,650,000.00	
		10,794,114.25
SURPLUS:		
Appropriated:		
for fire, marine and accident insurance	$788,448.61	
for contingencies	500,000.00	
Total	$1,288,448.61	
Unappropriated	28,276,427.14	
		29,564,875.75
TOTAL		$124,358,990.00

Trade Tendencies

(*Continued from page* 782)

The extent of this gain is not surprising, however, when it is realized that it represents the return to steel markets of important consumers who had curtailed requirements too closely during the uncertain months of November and December, last, in their fear of overloading inventories at a time of a possible industrial crisis. This resumption of normal buying has placed steel output well in line with actual consumption and further gains must necessarily be in response to increases in current utilization. Railroad requirements are maintaining favorable levels with purchases of cars, rails and miscellaneous equipment reported in heavy volume. There are no indications that substantially larger steel tonnages will be required in this direction during the coming season; but neither should demand slump seriously. Agricultural implement manufacture, also, continues in good volume. Production of automobiles has gained, but is still much below last year and of course does not hold its position steelwise. Moreover, the largest increases have been made in the manufacture of smaller cars and this fact means proportionately less steel. On the other hand, heavier tonnages for heavy construction work may be expected as the building season gets under way and broader demand for pipe line, which has been virtually negligible of late, must necessarily add to total steel volume.

With larger volume and more pressing demand, prices have steadied. There has been talk in some quarters of advanced quotations but at present higher prices seem hardly justified. Earnings, of course, are improving as heavier operations lower the cost per unit output and should be at relatively satisfactory levels.

AGRICULTURAL IMPLEMENTS

Crop Uncertainties Cloud Outlook

The outlook at the first of the year for any industry whose earnings are as dependent from season to season on the vagaries of weather, crops and farmer credit as are those of the farm equipment industry is quite naturally as uncertain as prospects for the factors upon which it is contingent. At such a time, the effects of broader, secular trends must be considered in relation to the immediate position and with an eye to the various eventualities which may develop. And the most important influence in the agricultural implement field is the steadily increasing growth of rural mechanization as farmers become educated to the fact that modern equipment means less labor and more profit. Notwithstanding the extensive progress made along this line in the past decade, it is estimated that approximately 70% of potential demand remains to be satisfied outside of growing replacement requirements. Hence we may expect, over an extended period, a future marked by increasing earnings for companies with a diversified line of products and a vigorous sales organization.

During the near term, however, this expansion is likely to be checked to some extent. In the first place, export trade, which is said to account for over 20% of total sales, has slumped considerably because of poor crops in Canada, in South America and in Australia and while easier credit conditions abroad may lead to improvement in foreign sales later on in the year, total volume will probably suffer a temporary setback. In addition, the drastic declines which have recently developed in quotations for farm products may effect domestic sales adversely. On the other hand, more available farm credit

(*Please turn to page* 824)

The Baltimore and Ohio Railroad Company

OFFICE OF THE PRESIDENT

Baltimore, Md., Feb. 28, 1930.

To the Stockholders of
The Baltimore and Ohio Railroad Company:

The President and Directors submit herewith a preliminary condensed income statement, compared with the preceding year, together with balance sheet, as of December 31, 1929, and certain other general information which it is thought will be of interest.

The Annual Report in the customary form will be prepared and forwarded later to those stockholders who may advise the Secretary of the Company of their desire to receive a copy.

The net income for the year available for dividends and other corporate purposes, after the payment of interest, rentals, taxes and other fixed charges, was .... $28,767,908. This is a decrease of $333,023, compared with 1928, in which year your Company earned the largest net income in its history.

After paying the 4% dividend on the Preferred Stock, there remained .... $26,413,380, equal to $11.24 per share on the average amount of common stock outstanding during the year. Quarterly dividends at the annual rate of 6% were declared on the common stock for the first six months of the year, and at the annual rate of 7% for the last half of the year. The total dividends declared on the common stock amounted to .... $15,367,783, leaving a Surplus from the operations for the year of .... $11,045,597. The total accumulated surplus of your Company on December 31, 1929, was .... $114,468,786.22.

Your Company increased its capital by the issue and sale of $41,107,700 additional common stock at $100.00 per share to its stockholders as of June 20, 1929. This sale not only provided funds necessary for additions and betterments to the property, but increased the ratio of capital stock to total capitalization, thereby placing the Company in a better credit position. The ratio of stock to total capitalization is 36.41%, and the ratio of funded debt is 63.59%.

During the year there was an increase in investment in road of		$15,293,860
and in real estate of		2,367,735
New equipment was acquired at a cost of	$14,560,820	
and old equipment retired in the amount of	7,408,929	
Resulting in a net increase in Investment in Equipment of		7,151,891
Total increased investment in property used in transportation service		$24,813,486

The additional equipment consisted of one heavy freight locomotive, one gas-electric car trailer and 100 steel-underframe caboose cars built at the Company's shops; and there were purchased fifteen all-steel baggage cars, ten all-steel baggage and mail cars, 100 all-steel express cars, 2,675 all-steel box cars, 1,700 all-steel hopper cars, 700 all-steel gondola cars and certain miscellaneous pieces of equipment.

Eighty-seven locomotives, eleven passenger train cars, 6,314 freight-train cars, 864 pieces of work equipment and fourteen pieces of miscellaneous equipment, no longer suitable for modern and efficient service, were retired during the year.

Effective April 28th the Washington-Baltimore-Philadelphia-New York passenger service was increased by two additional trains in each direction, one of them a special feature train, known as the "Columbian," carrying Colonial Dining Car, Observation Parlor Car and Club-Lounge Car, in addition to the regular Pullman equipment, as well as individual seat coaches that offer additional comfort without extra charge.

There was a decline in volume of traffic handled during the last three months of the year. Notwithstanding this, the revenues during the full year increased as follows:

Freight Revenue	$ 8,273,958
Mail revenue	1,618,953
Express revenue	226,530
Miscellaneous revenue	54,158
Total	$10,173,599
The decline in passenger traffic continued throughout the year, the loss in such revenue having been	1,573,504
Net Increase—All Earnings	$ 8,600,095

The increase in mail revenue is due to increased compensation paid by the Government, the revenue for the year 1929 including not only the increased current rates, but an adjustment paid by the Government in July of $1,331,824 covering the period from May 9, 1925, to July 31, 1928.

The increase in freight revenue was 4.2%, as compared with an increase of 2.05% in revenue-ton miles, while passenger revenue decreased 6.64%, as compared with a decrease of 5.2% in revenue passenger miles.

The property has been well maintained, there having been a very liberal maintenance program carried out during the year, as indicated by an increase in maintenance expenses of $6,883,767, or 9.26%, when compared with 1928.

Transportation expenses increased $529,082, or only 0.64%, notwithstanding an increase in operating revenues of over 3.00%. Tons of revenue freight handled increased 4.71%, with an increase in revenue-ton miles of 2.05%. As a result of better performance, transportation expenses required but 33.80 cents of each dollar earned in 1929, as compared with 34.81 cents in 1928.

The ratio of operating expenses to operating revenues in 1929 was 73.58%, as compared with 72.86% in 1928. The increase is due to the liberal maintenance program above referred to.

The Management again commends the Baltimore and Ohio service to the shareholders, and through them, to the general public. Your cooperation is solicited in order that a greater proportion of the traffic moving to and from the territory served by your Company may be secured. The interest and assistance manifested by the shareholders in the past have been most helpful, and it is hoped that their sympathetic cooperation will be continued.

DANIEL WILLARD,
President.

The Baltimore and Ohio Railroad Company

INCOME ACCOUNT

	1929	1928	Increase or Decrease Amount	%
Revenue from freight transportation	$205,489,402	$197,215,444	$ 8,273,958	4.20
Revenue from passenger transportation	22,138,627	23,712,130	*1,573,503	*6.64
Revenue from mail, express and other transportation service	17,790,747	15,891,107	1,899,640	11.95
Total Railway Operating Revenues	$245,418,776	$236,818,681	$ 8,600,095	3.63
Maintenance of Way and Structures	$ 29,418,140	$ 26,895,746	$ 2,522,394	9.38
Maintenance of Equipment	51,765,468	47,404,095	4,361,373	9.20
Traffic	5,948,432	5,748,601	199,831	3.48
Transportation	82,958,813	82,429,731	529,082	.64
General	8,250,057	7,958,369	291,688	3.67
Miscellaneous	2,229,124	2,114,326	114,798	5.43
Total Railway Operating Expenses	$180,570,034	$172,550,868	$ 8,019,166	4.65
Transportation Ratio	33.80%	34.81%		
Total Operating Ratio	73.58%	72.86%		
Net Revenue from Railway Operations	$ 64,848,742	$ 64,267,813	$ 580,929	.90
Taxes	$ 11,965,798	$ 11,638,718	$ 327,080	2.81
Equipment, Joint Facility Rents, etc.	3,698,834	3,241,378	457,456	14.11
Total Charges to Net Revenue	$ 15,664,632	$ 14,880,096	$ 784,536	5.27
Net Railway Operating Income, as defined in Transportation Act of 1920	$ 49,184,110	$ 49,387,717	$* 203,607	* .41
Other Income— Rents, Dividends on Stock and Interest on Bonds owned	8,427,835	7,378,325	1,049,510	14.22
Total Income from all sources	$ 57,611,945	$ 56,766,042	$ 845,903	1.49
Deductions for Interest and Rentals	$ 28,024,557	$ 26,997,767	$ 1,026,790	3.80
All Other Charges against Income	819,480	667,344	152,136	22.80
Total Deductions from Income	$ 28,844,037	$ 27,665,111	$ 1,178,926	4.26
Balance of Income available for dividends and other Corporate purposes	$ 28,767,908	$ 29,100,931	$* 333,023	*1.14
Dividends declared:				
Preferred Stock—4%	$ 2,354,528	$ 2,354,528	....	....
Common Stock—6% to June 30, 1929, and 7% from July 1, 1929	15,367,783	12,911,275	2,456,508	19.03
Total Dividends	$ 17,722,311	$ 15,265,803	$ 2,456,508	16.09
Leaving a Surplus, after all charges and dividends declared, of	$ 11,045,597	$ 13,835,128	$*2,789,531	*20.16

STATISTICS

	1929	1928	Amount	%
Revenue Passengers Carried	9,038,071	10,257,996	* 1,219,925	*11.89
Revenue Passenger Miles	728,586,197	768,550,062	*39,963,865	* 5.20
Average Miles per Passenger	80.61	74.92	5.69	7.59
Average Rate per Passenger Mile (cents)	3.039	3.085	* .046	* 1.49
Tons of Revenue Freight Handled	108,602,048	103,714,942	4,887,106	4.71
Revenue Ton Miles	20,657,869,061	20,243,199,084	414,669,977	2.05
Average Miles per Ton	190.22	195.18	* 4.96	* 2.54
Average Rate per Ton Mile (mills)	9.95	9.74	.21	2.16
Revenue Tons per Train Mile	871.92	868.28	3.64	.42
Freight Train Miles per Train Hour	11.47	11.43	.04	.35

* Decrease.

Condensed Balance Sheet—Dec. 31, 1929

ASSETS

Investment in Property used in Transportation Service		$ 894,281,621
Road	$634,709,871	
Equipment	259,571,750	
Investment in Separately Operated Companies, including Miscellaneous Physical Property		94,153,366
Investment in Sinking Funds and Deposits account Property Sold		736,112
Investment in Other Companies		49,553,307
Total Investments		$1,038,724,406
Current Assets		73,434,024
Cash	$ 19,389,021	
Other	54,045,003	
Deferred Assets		5,210,210
Total		$1,117,368,640

LIABILITIES

Capital Stock Outstanding		$ 315,158,615
Preferred	$ 58,863,181	
Common	256,295,434	
Premium on Capital Stock		3,355,721
Long Term Debt		556,804,622
Mortgage Debt	$478,745,472	
Equipment Obligations	71,623,200	
Capitalized Leaseholds	6,435,950	
Current Liabilities—Traffic and Car Service Balances, Accounts and Wages Payable, Interest and Dividends Matured and Unpaid. Unmatured Dividends Declared, and Other Current Liabilities		31,608,063
Liability for Provident Funds and Other Deferred Items		9,772,838
Accrued Depreciation—Equipment		70,160,425
Reserve for Taxes, Insurance, Operation, etc.		16,039,570
Surplus		114,468,786
Total		$1,117,368,640

ROAD OPERATED AND EQUIPMENT

Total Miles of Road Operated		5,658
Total Miles of All Tracks Operated		11,104
Locomotives	Steam..2,349 Electric...13 Other...2	2,364
Passenger Train Cars		1,732
Freight Train Cars		102,072
Tugs, Barges and Other Boats		[illegible]
Work Equipment		[illegible]

(*Continued from page* 821)
released by decreased demand for funds in the security markets should militate favorably and the average farmer's pocketbook should still contain some of the proceeds of last season's high priced crops.

On the whole, if the farm income during the present crop year is as satisfactory as it was in 1929, there is no reason why the increased volume which will develop in the latter part of the year should not offset the deficiencies in prospect for the first half. Granted this favorable situation, principal manufacturers should be able to average entirely satisfactory earnings.

Refinancing or Receivership?

(*Continued from page* 761)

from its extreme low, displaying a strong tone attributable to the efforts of the two factions to secure control of approximately 160,000 shares, which would turn the balance one way or the other.

In a letter to stockholders William Fox took the position that Halsey Stuart & Co. were responsible for having "plunged" the two corporations into their present predicament. He charged them with saddling on Fox Film a burden of one million dollars as extra compensation for banking services in connection with the consolidation of his companies even though the plans for such merger miscarried. He accuses them with bringing suit for money before due and having pressed for receivership, which, he declared, they know will destroy the companies, although they are offered payment in full for their notes now selling at 70 per cent of their face value."

In his letter Mr. Fox tells the stockholders that they are called upon to decide between hopeless and inevitable receivership on the one hand and the acceptance on the other of a plan which will raise sufficient cash, to take the companies out of their financial stress. He felt free to answer the "propaganda" which sought "to poison their minds against a man who had built the companies from their small beginnings with a cash capital of $1,600, to a business of $108,150,000 in the past year." In this connection it is interesting to note then, when the Fox Securities Corporation was recently formed, potentially available holdings, presumably representing the equities of Fox himself and those close to him, were announced as in excess of 100 million dollass.

The claim of Halsey-Stuart that the Fox corporations were precluded by contracts from securing financial aid from other banking sources was not tenable since the contracts were invalid and unenforceable, and besides had been violated when the bankers had demanded receivership for the companies they were under a duty to protect.

He rebuked Halsey-Stuart for its opposition to the new financing plan and declared that the alleged claim of the American Telephone and Telegraph Co. for its subsidiary Electrical Research Products, Inc., that the latter had a 15-year contract with the Fox companies for licensing them to exhibit talking pictures, was without foundation, but that even if there were such a contract, it would probably be destroyed by receivership into which American Telephone seemed to be more than willing to force the Fox Film Corporation.

Out of all this welter of interlocking ownership of stock, of long-continued one-man control, of mergers of other companies, of acquisitions of countless theatres, of a tendency to assist one organization to the financial weakening of another, one fact stands out. This is that the stockholders of Fox Film who, enthused by the prospects of a complete merger and the generally high stock market purchased shares at a high price, have suffered a severe financial loss, which is not likely of early recovery. Whether the plans of the new banking group or those of Halsey-Stuart are preferable to receivership can be proved only by actual demonstration.

Refinancing Better for Stockholders Than Receivership

Receiverships are always expensive, and often are calculated to impair the value of the company's securities, although it is true that in rare instances companies have emerged from the hands of receivers in better financial condition than prior to receivership. This is especially true in the case of Federal receiverships, such as that of Fox Film would be.

In most cases, however, the stockholders are not likely to fare very well and it generally is conceded that the avoidance of receivership through refinancing is better for the shareholders.

Either of the bankers' plans calls for stock dilution, which of course will affect the value of the present holdings in some degree, despite the sustained earnings currently reported as 14 million dollars a year. Fox Film has been paying annual dividends of $4 on both classes of stock. The last declaration of the directors, however, was for payment in scrip instead of cash, and it hardly seems possible that the corporation will be able to maintain a $4 dividend under the burden of cost of refinancing and increase in outstanding securities. It is a situation which demands both patience and fortitude from the stockholders who have decided to stick to the ship.

Financial Personalities

GATES W. McGARRAH, chairman of the Board of Directors of the Federal Reserve Bank of New York, has resigned to accept an appointment as an American director of the Bank for International Settlements. It is assumed that Mr. McGarrah will be elected president at the first meeting of the directors of the Bank, a position for which he is eminently fitted by his long and distinguished experience. The Federal Reserve Bank, in accordance with its custom of rewarding its own officials for meritorious service, has designated J. Herbert Case, deputy governor of the bank, to fill the unexpired term of Mr. McGarrah as chairman of the Board and Federal Reserve Agent.

* * *

WRITING in the March number of *The Financial Diary,* edited by S. S. Fontaine and published by Benjamin, Hill & Company, Charles S. Dewey, financial advisor to the Polish Government and foreign member of the council of the Bank of Poland, concisely sets forth the economic progress of Poland from the ravages of the Great War. Mr. Dewey states that when peace finally came to the country, a great amount of devastation had occurred, totalling, according to the findings of a duly appointed commission, $1,815,000,000. The total public debt of Poland today amounts to $460,000,000 or approximately $15 per capita.

* * *

MILO R. MALTBIE has been appointed by Governor Roosevelt to serve as chairman of the Public Service Commission. Mr. Maltbie is well known as a public utility expert and has been retained by the city of New York and many other municipalities as an expert in rate cases.

* * *

W. R. ANGELL has been elected president of Continental Motors Corporation, to succeed R. W. Judson who has become chairman of the board.

Financial Notices

Dividends and Interest

Federal Water Service Corporation

Notice of Dividends on PREFERRED STOCKS

The Board of Directors of Federal Water Service Corporation has declared the regular quarterly dividends of one dollar seventy-five cents ($1.75) a share on the $7 Preferred Stock, one dollar sixty-two and one-half cents ($1.62½) a share on the $6.50 Preferred Stock and one dollar fifty cents ($1.50) a share on the $6 Preferred Stock, all payable April 1, 1930, to stockholders of record at the close of business March 14, 1930.

The transfer books will not be closed.

WALTER A. CULIN, *Treasurer.*

General Mills, Inc.

The Directors of General Mills, Inc., announce the declaration of the regular quarterly dividend of $1.50 per share upon the Preferred Stock of the company, payable April 1st, 1930, to preferred stockholders of record at the close of business March 14th, 1930. Checks will be mailed. Transfer books will not be closed.

D. D. DAVIS, Vice. Pres. & Treas.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway
New York

February 25, 1930.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 37 of one and three-quarters per cent. (1¾%) on the Preferred Stock of the Company, payable April 1, 1930, to preferred stockholders of record at the close of business March 8, 1930.

H. F. ATHERTON, Secretary.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a distribution of $1.00 per share on the Company's 2,540,000 shares of capital stock without nominal or par value, payable on March 15, 1930, to stockholders of record at the close of business on March 3, 1930.

Stockholders will be advised later as to what portion of said distribution is from Free Surplus and what from Reserve for Depletion.

H. F. J. KNOBLOCH, Treasurer.

The American Rolling Mill Company

The Board of Directors of this Company on January 7th, 1930 declared the regular quarterly dividend of Fifty cents (50c) per share on the Common Stock of the Company payable April 15th, 1930 to stockholders of record as of March 31st, 1930.

W. D. VORHIS,
Secretary.

Phillips Petroleum Company

120 Broadway, N. Y. C.

The Regular quarterly dividend of fifty cents per share has been declared on the Capital Stock of the Company payable April 1, 1930, to stockholders of record March 14, 1930.

O. K. WING, Treasurer

Dividends and Interest

International Petroleum Company, Limited

Notice of Dividend No. 24

NOTICE is hereby given that a dividend of 25c United States Currency per share has been declared, and that the same will be payable on or after the 15th day of March, 1930, in respect to the shares specified in any Bearer Share Warrants of the Company of the 1929 issue upon presentation and delivery of coupons No. 24 at the following banks:—

The Royal Bank of Canada,
King and Church Streets Branch,
Toronto 2, Canada.

City Bank Farmers Trust Company,
52 Wall Street, New York, N. Y.

The National City Bank of New York,
36, Bishopsgate, London, E. C. 2, England

OR

The offices of the International Petroleum Company, Limited,
56 Church Street, Toronto 2, Canada.

The payment to shareholders of record at the close of business on the 1st day of March, 1930, and whose shares are represented by registered Certificates of the 1929 issue will be made by cheque, mailed from the offices of the Company on the 14th day of March, 1930.

The transfer books will be closed from the 3rd day of March to 15th day of March, 1930, inclusive, and no Bearer Share Warrants will be "split" during that period.

By order of the Board.

J. R. CLARKE, Secretary.

56 Church Street, Toronto 2, Canada,
25th February, 1930.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

162nd Dividend

THE regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on April 15, 1930, to stockholders of record at the close of business on March 14, 1930.

H. BLAIR-SMITH, Treasurer.

THE ELECTRIC STORAGE BATTERY CO.

Allegheny Avenue and 19th Street,
Philadelphia, February 18th, 1930.

The Directors have declared from the Accumulated Surplus of the Company a quarterly dividend of One Dollar and Twenty-five Cents ($1.25) per share on the Common Stock and the Preferred Stock, payable April 1st, 1930, to stockholders of record of both of these classes of stock at the close of business on March 8th, 1930.

Checks will be mailed.

WALTER G. HENDERSON, Treasurer.

THE BELL TELEPHONE COMPANY OF CANADA

NOTICE OF DIVIDEND

A dividend of two per cent (2%) has been declared payable on the 15th of April, 1930, to shareholders of record at the close of business on the 22nd March, 1930.

W. H. BLACK,
Secretary-Treasurer.

Montreal, 26th February, 1930.

E. I. DU PONT DE NEMOURS & CO.

Wilmington, Del., February 17, 1930.

The Board of Directors has this day declared a dividend of $1.00 per share on the outstanding $20.00 par value common stock of this Company, payable on March 15, 1930, to stockholders of record at the close of business on February 27, 1930; also dividend of $1.50 a share on the outstanding debenture stock of this Company, payable on April 25, 1930, to stockholders of record at the close of business on April 10, 1930.

CHARLES COPELAND, Secretary.

Dividends and Interest

Public Service Corporation of New Jersey

Dividend No. 91 on Common Stock
Dividend No. 45 on 8% Cumulative Preferred Stock
Dividend No. 29 on 7% Cumulative Preferred Stock
Dividend No. 7 on $5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock, being $2.00 per share; at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being $1.75 per share; at the rate of $5.00 per annum on the non par value Cumulative Preferred Stock, being $1.25 per share, and 85 cents per share on the non par value Common Stock for the quarter ending March 31, 1930. All dividends are payable March 31, 1930, to stockholders of record at the close of business March 1, 1930.

Dividends on 6% Cumulative Preferred Stock are payable on the last day of each month.

T. W. Van Middlesworth, Treasurer.

Public Service Electric and Gas Company

Dividend No. 23 on 7% Cumulative Preferred Stock
Dividend No. 21 on 6% Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and 6% Preferred Stock of that Company. Dividends are payable March 31, 1930, to stockholders of record at the close of business March 1, 1930.

T. W. Van Middlesworth, Treasurer.

Shell Union Oil Corporation

65 Broadway
New York City

February 19, 1930.

The regular quarterly dividend of Thirty-five cents (35c) per share has been declared upon each share of the Common Stock of this Corporation, issued and outstanding, said dividend to be paid on March 31st, 1930 to stockholders of record March 6th, 1930.

Checks will be mailed.

JAMES H. BROOKMIRE,
Secretary and Treasurer.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

February 21, 1930

THE Board of Directors of Loew's Incorporated has declared a quarterly dividend of 75c per share on the Common Stock of this Company, payable on the 31st of March 1930 to stockholders of record at the close of business on the 14th of March 1930. Checks will be mailed.

DAVID BERNSTEIN
Vice President & Treasurer

WARDS FINE BREAD

WARD BAKING CORPORATION

New York, February 27, 1930

A quarterly dividend of one and three-quarters percent (1¾%) on the Preferred Stock of this Corporation has been declared, payable on April 1, 1930, to stockholders of record at the close of business March 17, 1930.

JOHN M. BARBER, Treasurer

FACING
become
"COMING EVENTS CAST THEIR SHADOWS BEFORE"
(Thomas Campbell, 1777-1844)
AVOID THAT FUTURE SHADOW
by refraining from over-indulgence, if you would maintain the modern figure of fashion
We do not represent that smoking Lucky Strike Cigarettes will bring modern figures or the reduction of flesh. We declare that when tempted to do yourself too well, if you will "Reach for a Lucky" instead, you will thus avoid over-indulgence in things that cause excess weight and, by avoiding over-indulgence, maintain a modern, graceful form.
When Tempted
Reach for a LUCKY instead
"It's toasted"
Your Throat Protection—against irritation—against cough.
TWENTY
LUCKY STRIKE
"IT'S TOASTED"
CIGARETTES
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